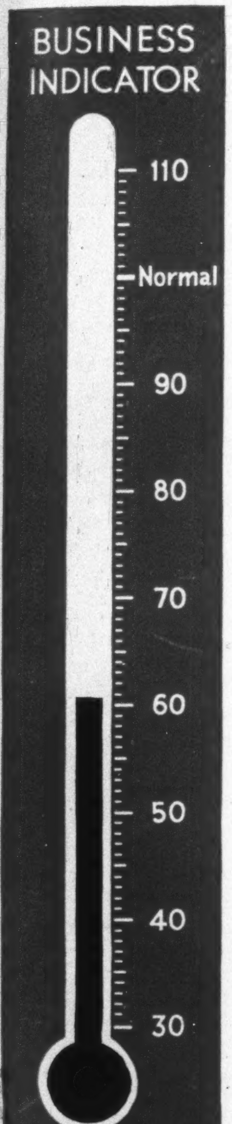
FEB 1 1932

THE BUSINESS WEEK

FEB 17, 1932



The early part of February has brought no break in the spell of business and security market stagnation . . . . Signs of seasonal pickup, almost invariably marked by the middle of this month, are so far very slight and scattered . . . . Carloadings and electric power production are moving almost horizontally. Despite some revival of railroad buying, the spring rise in steel is being held back by slackness in automotive output due to delays in Ford's new models for which buyers and other producers are disposed to wait . . . . Commodity and stock price averages have sagged to new lows and bonds lost a large part of their gain since December . . . . Effects of Reconstruction Corporation action in checking bank credit contraction are not yet forthcoming, and European affairs are rapidly approaching new financial and political crises . . . . More fundamental for the domestic outlook is the fact that capital values are being steadily depreciated by drastic reduction in employment and buying power of employees, upon which corporate earning-power now depends . . . . The drying-up of private monetary and credit resources is resulting in growing pressure for governmental relief and rapidly forcing resort to the public credit to replace the purchasing power destroyed by deflation and liquidation in the banking system or immobilized by individual hoarding . . . . If the Reconstruction Corporation cannot secure prompt private banking cooperation in assuring speedy credit expansion it may be necessary for government to invoke its constitutional powers to regulate the currency and provide directly an adequate medium of exchange for the public.

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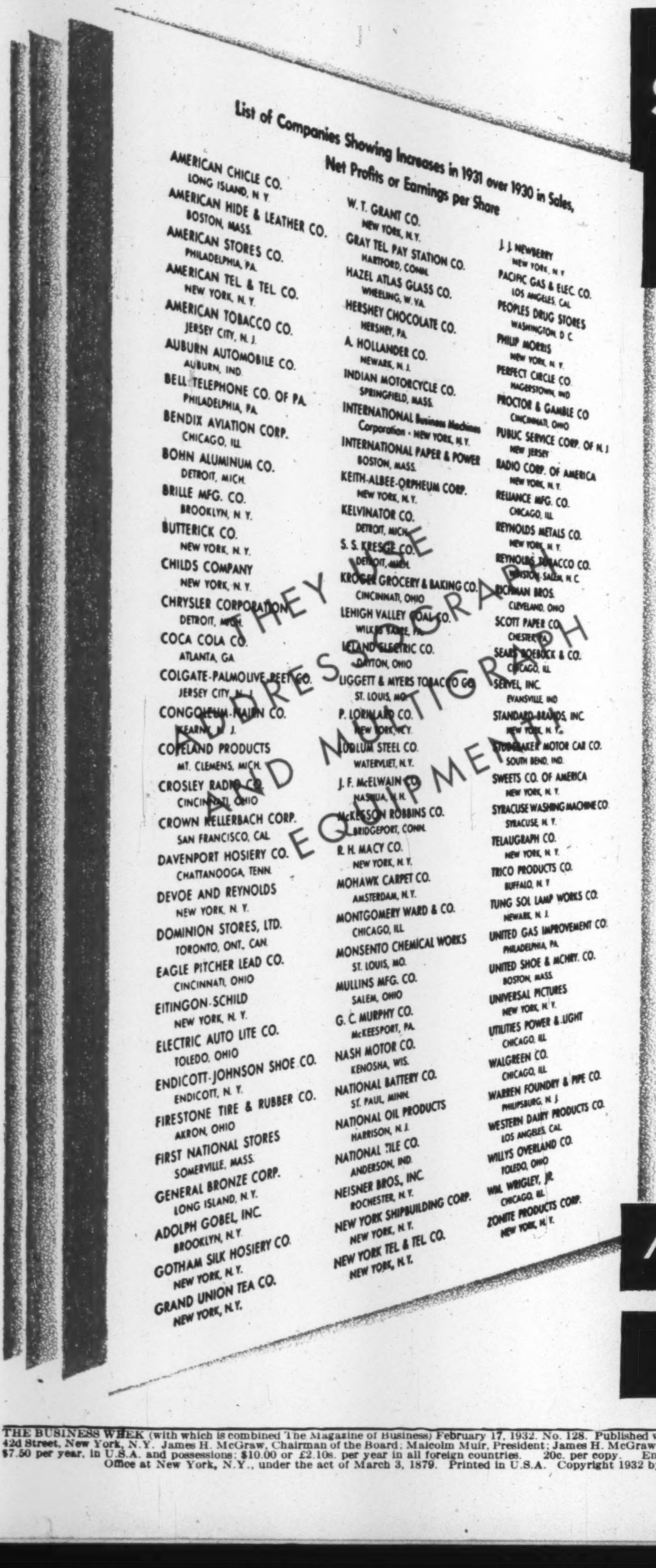
THEY USE
ADDRESSOGRAPH
AND MULTIGRAPH
EQUIPMENT

List of Companies Showing Increases in 1931 over 1930 in Sales, Net Profits or Earnings per Share

AMERICAN CHICLE CO.
LONG ISLAND, N. Y.
AMERICAN HIDE & LEATHER CO.
BOSTON, MASS.
AMERICAN STORES CO.
PHILADELPHIA, PA.
AMERICAN TEL. & TEL. CO.
NEW YORK, N. Y.
AMERICAN TOBACCO CO.
JERSEY CITY, N. J.
AUBURN AUTOMOBILE CO.
AUBURN, IND.
BELL TELEPHONE CO. OF PA.
PHILADELPHIA, PA.
BENDIX AVIATION CORP.
CHICAGO, ILL.
BOHN ALUMINUM CO.
DETROIT, MICH.
BRILLE MFG. CO.
BROOKLYN, N. Y.
BUTTERICK CO.
NEW YORK, N. Y.
CHILDS COMPANY
NEW YORK, N. Y.
CHRYSLER CORPORATION
DETROIT, MICH.
COCA COLA CO.
ATLANTA, GA.
COLGATE-PALMOLIVE-PEET CO.
JERSEY CITY, N. J.
CONGOLEUM-NAIRN CO.
KEARNY, N. J.
COPELAND PRODUCTS
MT. CLEMENS, MICH.
CROSLEY RADIO CO.
CINCINNATI, OHIO
CROWN ZELLERBACH CORP.
SAN FRANCISCO, CAL.
DAVENPORT HOSIERY CO.
CHATTANOOGA, TENN.
DEVOE AND REYNOLDS
NEW YORK, N. Y.
DOMINION STORES, LTD.
TORONTO, ONT., CAN.
EAGLE PITCHER LEAD CO.
CINCINNATI, OHIO
EITINGON-SCHILD
NEW YORK, N. Y.
ELECTRIC AUTO LITE CO.
TOLEDO, OHIO
ENDICOTT-JOHNSON SHOE CO.
ENDICOTT, N. Y.
FIRESTONE TIRE & RUBBER CO.
AKRON, OHIO
FIRST NATIONAL STORES
SOMERVILLE, MASS.
GENERAL BRONZE CORP.
LONG ISLAND, N. Y.
ADOLPH GOBEL, INC.
BROOKLYN, N. Y.
GOTHAM SILK HOSIERY CO.
NEW YORK, N. Y.
GRAND UNION TEA CO.
NEW YORK, N. Y.

W. T. GRANT CO.
NEW YORK, N. Y.
GRAY TEL PAY STATION CO.
HARTFORD, CONN.
HAZEL ATLAS GLASS CO.
WHEELING, W. VA.
HERSHEY CHOCOLATE CO.
HERSHEY, PA.
A. HOLLANDER CO.
NEWARK, N. J.
INDIAN MOTORCYCLE CO.
SPRINGFIELD, MASS.
INTERNATIONAL Business Machines Corporation - NEW YORK, N. Y.
INTERNATIONAL PAPER & POWER
BOSTON, MASS.
KEITH-ALBEE-ORPHEUM CORP.
NEW YORK, N. Y.
KELVINATOR CO.
DETROIT, MICH.
S. S. KRESGE CO.
DETROIT, MICH.
KROGER GROCERY & BAKING CO.
CINCINNATI, OHIO
LEHIGH VALLEY COAL CO.
WILKES BARRE, PA.
LELAND ELECTRIC CO.
DAYTON, OHIO
LIGGETT & MYERS TOBACCO CO.
ST. LOUIS, MO.
P. LORILLARD CO.
NEW YORK, N. Y.
LUDLUM STEEL CO.
WATERVLIET, N. Y.
J. F. McELWAIN CO.
NASHUA, N. H.
McKESSON ROBBINS CO.
BRIDGEPORT, CONN.
R. H. MACY CO.
NEW YORK, N. Y.
MOHAWK CARPET CO.
AMSTERDAM, N. Y.
MONTGOMERY WARD & CO.
CHICAGO, ILL.
MONSENTO CHEMICAL WORKS
ST. LOUIS, MO.
MULLINS MFG. CO.
SALEM, OHIO
G. C. MURPHY CO.
McKEESPORT, PA.
NASH MOTOR CO.
KENOSHA, WIS.
NATIONAL BATTERY CO.
ST. PAUL, MINN.
NATIONAL OIL PRODUCTS
HARRISON, N. J.
NATIONAL TILE CO.
ANDERSON, IND.
NEISNER BROS., INC.
ROCHESTER, N. Y.
NEW YORK SHIPBUILDING CORP.
NEW YORK, N. Y.
NEW YORK TEL & TEL CO.
NEW YORK, N. Y.

J. J. NEWBERRY
NEW YORK, N. Y.
PACIFIC GAS & ELEC. CO.
LOS ANGELES, CAL.
PEOPLES DRUG STORES
WASHINGTON, D. C.
PHILIP MORRIS
NEW YORK, N. Y.
PERFECT CIRCLE CO.
HAGERSTOWN, IND.
PROCTOR & GAMBLE CO.
CINCINNATI, OHIO
PUBLIC SERVICE CORP. OF N. J.
NEW JERSEY
RADIO CORP. OF AMERICA
NEW YORK, N. Y.
RELIANCE MFG. CO.
CHICAGO, ILL.
REYNOLDS METALS CO.
NEW YORK, N. Y.
REYNOLDS TOBACCO CO.
WINSTON-SALEM, N. C.
RICHMAN BROS.
CLEVELAND, OHIO
SCOTT PAPER CO.
CHESTER, PA.
SEARS ROEBUCK & CO.
CHICAGO, ILL.
SERVEL, INC.
EVANSVILLE, IND.
STANDARD BRANDS, INC.
NEW YORK, N. Y.
STUDEBAKER MOTOR CAR CO.
SOUTH BEND, IND.
SWEETS CO. OF AMERICA
NEW YORK, N. Y.
SYRACUSE WASHING MACHINE CO.
SYRACUSE, N. Y.
TELAUGRAPH CO.
NEW YORK, N. Y.
TRICO PRODUCTS CO.
BUFFALO, N. Y.
TUNG SOL LAMP WORKS CO.
NEWARK, N. J.
UNITED GAS IMPROVEMENT CO.
PHILADELPHIA, PA.
UNITED SHOE & MCHRY. CO.
BOSTON, MASS.
UNIVERSAL PICTURES
NEW YORK, N. Y.
UTILITIES POWER & LIGHT
CHICAGO, ILL.
WALGREEN CO.
CHICAGO, ILL.
WARREN FOUNDRY & PIPE CO.
PHILIPSBURG, N. J.
WESTERN DAIRY PRODUCTS CO.
LOS ANGELES, CAL.
WILLYS OVERLAND CO.
TOLEDO, OHIO
WM. WRIGLEY, JR.
CHICAGO, ILL.
ZONITE PRODUCTS CORP.
NEW YORK, N. Y.

THE SUCCESS ROSTER OF 1931

These world-famous companies are among those who *maintained* or *increased* sales, net profits or earnings per share during the past unfavorable year

A special survey by the U. S. Department of Commerce indicates that improved marketing, particularly increased or maintained advertising, contributed more than any other factor to the 1931 success of these Addressograph-Multigraph users.

The responsibility placed upon Addressograph and Multigraph equipment in this accomplishment is inestimable. Because the purpose of these machines is so directly applicable to advertising and sales promotion, they are being utilized by thousands of business organizations to stimulate sales volume and profits, at low cost.

The Multigraph can produce a wide range of printed advertising literature right in your own office, at savings from 25% to 70%. The Addressograph can speed out this business-promoting material to your customers and prospects 10 to 50 times faster than any other method.

Write for "33 Ways" and "Uncovering Hidden Profits", describing the many ways in which Addressograph and Multigraph can make and save money for you.

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TRADE MARK

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TRADE MARK

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This Business Week:

Automobiles

Ford's new V-8, due to be shown Feb. 25, will have a great direct effect on Detroit employment, materials purchases, general business activity. Even more important, it will flash the green light for the whole industry, end the suspense which has blocked sales and production. *(p. 5)*

This year's battle for sales will be won on the dealer's display floor and balance sheet; many manufacturers are drilling their dealers in the manual of sales. *(p. 6)*

Marketing

Retailers who have been trying to hold up volume, or "cash in on the depression" with "less than wholesale" prices, exaggerated advertising, are dismayed to find they have been giving away capital good-will as a premium. *(p. 7)*

Brick makers lay their plans to regain markets lost through competition of new, low-priced materials and the high cost of bricklayers. *(p. 9)*

The big tobacco companies are holding their own in earnings, partly due to the increased wholesale cost of cigarettes, mainly because of an advertising and merchandising pressure that is never relaxed. *(p. 10)*

Coal and Steel

Watch for the Supreme Court opinions on Appalachian Coals and the cartel plan of the American Institute of Steel Construction. These are an important part of the attempt of business to purge itself of destructive competition. *(p. 11)*

Economics in Action

Business men, today, are living in an economic laboratory; they are themselves part of the great experiment. *The Business Week,* from time to time, presents material for their laboratory notebooks. Outlined in this issue is the effect of hard times on the American pocketbook. *(p. 17)*

Transportation

The railroads would like to see Reconstruction money used for construction work as well as for repairs to finances. Continuing the Pennsylvania's electrification, for example, would turn government loans into wages for 10,000 workers, directly, many more through the purchase of materials. *(p. 22)*

Bus traffic has suffered its first setback: a loss of 2.2%. That's practically a gain in times when other forms of transport are groggy. *(p. 18)*

Interstate traffic, control and taxation of which is supposed to help the railroads, is the smallest part of rail-bus competition. *(p. 18)*

Now, buses and 'planes are linked for fast package delivery. *(p. 18)* Federal regulation for trucks may be limited to a safety code. *(p. 19)* Aviation plans closer cooperation within the industry. *(p. 23)*

Relief

The best measure of what relief is likely to cost us as a nation is what we've paid as individuals and communities in the past. Appraisal by the Bureau of Census, first comprehensive survey of the situation, shows the burden has tripled since 1929. *(p. 24)*

Real Estate

Surveying 318 assorted cities, the National Association of Real Estate Boards finds frozen markets as well as frozen real estate activity. Doubling-up of families has created a demand which will be important when the thaw comes. *(p. 12)*

Labor

In the building trades, 62% of the skilled workers are out of a job, many are glad to get wages 50% or more below scale. Despite this, New York workers have finally rejected proposals to make wages legitimate by cutting the scale 25%. *(p. 14)*

Finance

Distrust of banks breeds hoarding; hoarding breeds cautious banking, contracted credit. The Administration is already trying to break the vicious circle at the banks by expanded credit through the Reconstruction Corp. Just as important is the drive to lure or shove the hoarded dollar back into the ranks. *(p. 14)*

Yankee farmers in border towns are mortgaging property, transferring money to Canadian banks, where $100 American becomes $118 on the pass book. *(p. 29)*

Bankers, through the A.B.A., make plain their opposition to the proposed Home Loan Bank, the attempt to rush through the Glass Bill, and post office competition. *(p. 24)*

Foreign

Britain's tariff, important as a source of revenue, is more important as a basis for bargaining: with concessions to make, she can ask them. *(p. 30)*

Last-minute cables indicate that business abroad is getting worse. Every nation has a private crisis as well as a share in the general depression. Only Britain seems hopeful. *(Survey, p. 32)*

Figures

Business continues to bump along on the bottom with no apparent break in the monotonous stagnation. *(p. 36)*

BUSINESS WARRIORS

Good fighters know that good weapons are half the battle. Many a business contest is being better fought today because the Mimeograph is at hand to help. Steady rounds of ammunition—letters, bulletins, questionnaires, data, line drawings, etc.—it delivers at top speed and rock-bottom economy. Good printing at low cost! » » For information write A. B. Dick Company, Chicago, or find branch address in classified directory.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending February 13, 1932

Ford's New V-8 to Be Seen Feb. 25; Signal for Whole Industry to Go

Detroit foresees historic 3-cornered battle for domination in the small car market

FORD'S new V-8 will be on display Feb. 25, 26, and 27, and dealers will begin to get floor models Mar. 5.

Detroit will hail this as great news. It will take Ford 3 months to stock his dealers, during which time he will be running full blast, with all that implies in employment, materials purchases and general business activity.

Moreover, the whole industry will feel the impetus. Other manufacturers have obviously been going slow until Ford should reveal his hand. It seems clear that a historic 3-cornered battle impends, Ford, Chevrolet, and Plymouth to fight it out in the low-price market, greatest market of all. Every car selling under $1,000 is bound to feel the reverberations from this battle.

Thrift the Watchword

The average price paid by a motorist for his car in 1931 was $568; it was $630 during 1930. This year it will be even less, for manufacturers are alert to the consumer demand for economy.

First evidence, Willys-Overland announced its prices on its 6 would be from $415 up, thus setting a new low mark for recent years. Plymouth plans soon to offer a two-door coach at $485 and a 4-door sedan at $575.

Detroit believes the new 4-cylinder Ford will be sold at a base price around $375 and the 8 at less than $600. Detroit also wonders if branch assembly plants may not be made the basing point for new Ford prices, thereby reducing materially the charges usually added to the f.o.b. Detroit price.

More for the Money

Manufacturers who have not actually reduced prices have built more value into their cars, so that the buyer really gets more for his money than last year.

Automobile shows attracted much larger crowds than a year ago and sales were better than in 1931, but the industry as a whole does not show the usual seasonal upward swing on account of Ford's delay in announcing models.

The industry is agreed that the rule of the National Automobile Chamber of Commerce that all new models shall be introduced at the end of the year will soon be discarded. Ford (not a member of the chamber) will offer new models; Nash has announced new cars for introduction about Mar. 1; Plymouth soon will have a revamped car, several other makers plan new models for spring.

Some Start Well

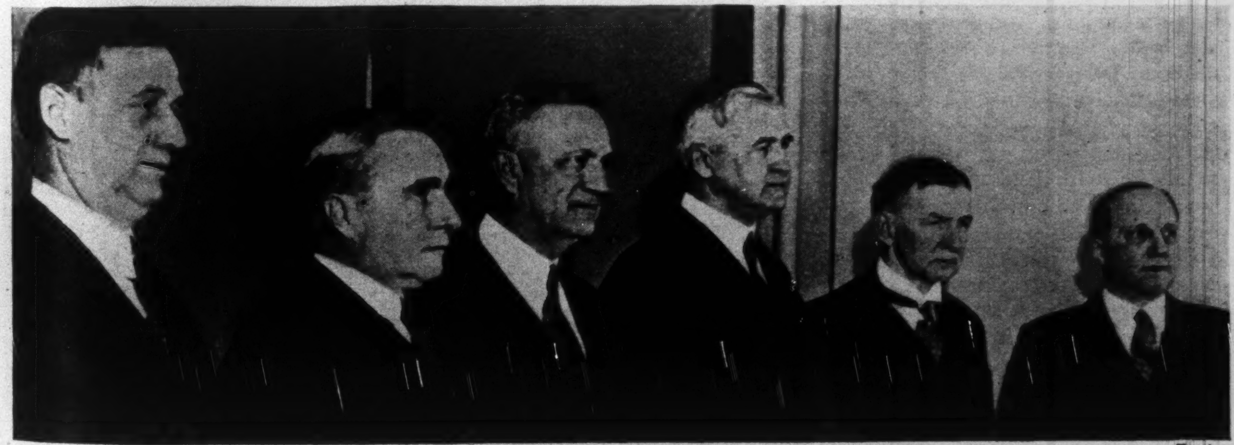
The year has started well for some companies. Auburn shipped 2,508 cars in January compared with 2,017 in the same month last year. Oldsmobile made 7,320 cars from Dec. 15 to Jan. 31, a gain of 2,751 cars over the corresponding period of 1931. Graham-Paige assembled 2,537 cars in January, 23% above last year. Cadillac had the best January since 1929 and a February schedule of 3,100 cars. Hupmobile made 1,409 cars in January. Oakland-Pontiac made about 10,200 cars last month and Buick 6,365.

The convertible type car continues to gain in favor. Convertible models represented 27% of the cars built by Auburn last month.

Registration

New passenger car registrations in the United States in 1931 totaled 1,908,141, compared with 2,625,979 in 1930.

With undisputed leadership in the



Keystone

CREDIT SQUAD—*The directors of the Reconstruction Finance Corporation get down to business. Left to right: Paul Bestor, Federal Farm Loan Commissioner; Ogden Mills, Secretary of the Treasury; Harvey C. Couch; Jesse H. Jones; Charles G. Dawes, president; Eugene Meyer, chairman. Wilson McCarthy is not in the group* passenger car field, Chevrolet now is bidding for first place in the commercial car field with 2 new chassis and 28 new bodies, an increase of 8 over last year. Prices range from $355 for the ½-ton chassis to $1,020 for the 1½-ton van panel. These prices represent reductions as high as $65 on some models.

Motor Makers Prepare for Battle By Stiffening the Dealer Lines

THE 1932 battle for automobile sales will be fought on the retail front. Strong dealer organizations—strong not only in numbers but in selling ability—are being urgently sought by all companies which hope to cash in on the 1932 business prospects.

Auburn has increased its dealer-distributor organization 52% during the past year. Number of dealers of Chrysler, Dodge, DeSoto, and Plymouth has been increased chiefly because introduction of the "floating-power" Plymouth has given them all a successful, low-priced product to supplement their regular lines. Reo has picked up 600 new dealers since adding a low-priced truck to its regular line of passenger cars and heavy duty trucks.

Hupp Wins Dealers

Hupmobile's new contract, attractive to dealers (*BW—Jan27'32*) is bringing it new sales outlets. Announcement of the new Willys-Overland 6 at $415—lowest price on the market—has attracted many new and old dealers who see an opportunity to cash in with a bargain product.

Studebaker has helped many of its dealers by giving them a Rockne franchise and a popular low-priced car to sell; by the establishment of parts depots throughout the country to provide better servicing facilities; by its new salesmen's compensation plan just made effective (*BW—Feb3'32*). Graham franchises have been made more attractive by its aid in payment of salesmen and by its adoption of the Shalk plan whereby salesmen get larger commissions for "clean" sales carrying no excessive trade-in allowances.

Ford Advertises Service

Ford, in the absence of a new car, advertises to Ford owners the benefits of regular and quick servicing available from Ford dealers, is helping to keep franchises attractive.

General Motors continues its dealer educational campaign to teach dealers how to run their business, to keep adequate accounts, to operate economically.

Aside from drives for more dealers, chief factory efforts will be directed along lines outlined by Paul G. Hoffman, Studebaker sales chief, in a recent talk to the industry's leaders, when he asserted that 100,000 automobile salesmen had lost half a million dollars' worth of business last year which they could have had by the exertion of a little effort. Too many salesmen wait for prospects to come to them and ask to be sold, he said; too few aggressively seek new prospects.

Mr. Hoffman recommended that, instead of wasting time in competitive fights over which make a prospect should buy, more effort should be devoted to stirring up brand new prospects for new cars. He cited the experience of one Studebaker dealer who obtained lists of all local owners of cars which might be turned in on new Studebakers. To each of these a paint job was offered at a bargain price. Replies indicated whether the car owner was contemplating a new car in the immediate future, and turned many a question mark into a live Studebaker prospect.

While factory sales heads are optimistic as to the effectiveness of current efforts toward better dealer organizations, dealers and many observers are skeptical. They maintain that much more drastic revisions in factory-dealer relationships must be made before the automobile retail business can be raised to the level of other established retail lines and can expect the full confidence of local business men and bankers. To a large extent factories have given up the once prevailing practice of "forcing" cars on to dealers regardless of their wishes, but little else has been done to relieve the dealer of his complete dependence upon the factory for his continuation as an individual business man.

FOR RENT
OFFICES
SHOPS

Acme

SKYSCRAPER GARAGE—*The Westinghouse parking machine, successfully demonstrated in Pittsburgh, gets a commercial tryout in the heart of Chicago's Loop. Cars are loaded on an endless chain of platforms which are electrically operated, automatically controlled*

TIRES
Goodrich
DRY GOODS

The Business Week

DRAMATIZING THE SALE—*The Goodrich Rubber Co. has gone into show business, carries a carload of scenery and props, plays sales-conferences only. Pictured, are scenes from Act I and II of that thrilling drama: "You Can't Sell Tires Without Salesmanship" or "Change Your Store to a Salesroom." Dealers are quick to get the idea*

Dealers complain that the factories can, and still do, cancel their contracts on a month's notice and without expressed cause, leaving the "orphan" with a large, generally unsalable stock of new and used cars and parts, instalment contracts for which he is accountable, expensive leases and buildings—all to dispose of as best he may.

Operating under such conditions the average dealer finds no welcome at the door of his local bank and has to depend mostly upon financing companies at considerably greater cost.

All admit that conditions are much better than they were even 2 years ago, but the best unbiased opinion believes that much still remains to be done.

Shoppers Tire of Poor Stuff, Stores Turn to Better Quality

Definite trend toward higher standards startles dry goods men who promptly take warning

AFTER two years of patient suffering, consumers have definitely rebelled against poor quality goods sold by over-emphasis on low price. Buyers gathered in the metropolitan market report their customers in a state of voluble irritation. Store officials admitted the fault at last week's convention of the National Retail Dry Goods Association in New York. They gathered at the mourners' bench, confessed for the merchants as a whole a general sin, went home with the determination to readopt the doctrines of sound merchandising.

Depressions have always been followed by this ailment. J. L. Fri, manager of the merchandising division of the N.R.D.G.A., reduces the progressive phases to a regular cycle:

Phase 1. Strong promotion to break sales resistence and get volume; price adjustment to and below drop in wholesale prices; special purchases of market clearances.

Phase 2. Exaggeration in advertising statements and wide use of comparative prices.

Phase 3. Manufacturers asked to "make merchandise to a price"; result, lowered quality and lowered store prestige.

Phase 4. Customers turn to known brands and to stores holding most closely to standard quality.

Reaction Becomes Clamorous

Phase 4 has now been reached, the reaction being evident, not to say clamorous. Mr. Fri's conclusion: "Fortunate is the store that deviated least from its policy of standards of quality and is first again to place emphasis upon better merchandise. Already customers are asking for 'something just a little bit better' and buyers are placing emphasis on better grades. All of which leads in the right direction."

From pulpit, soap box, and printed page the merchant has since 1929 heard only "hard times." Naturally he got the idea that low price alone would sell goods. The boom had left a new god before them. And the name thereof was Volume. It became a managerial fixation that volume must be protected at any cost. Did not the chains regularly indulge in loss items to crowd their stores and protect volume? If the chains did it, it must be good retailing.

Learned Lesson Too Well

Wholesale reductions were passed on in retail prices, and then some. Merchants kidded themselves about losses on items that filled their aisles. When orders were placed, the buyer bore down on the manufacturer for goods that could be sold for the smallest possible figure.

Result: Much junk went on the market. The "special sales" argument was used with triphammer emphasis. Advertising felt the urge, stepped back over the old line into the danger zone of hysterical ballyhoo.

The general stampede was described by John D. Hughes, merchandise manager of Denholm & McKay Co., Worcester, Mass., at the Dry Goods Association meeting.

"When prices were at their peak and standards of quality most strictly kept

Halbran

Follow the Flash—*The Holland Tunnel (New York–New Jersey) has a system of traffic control which regulates the speed of cars by flashing lights. The long strip of bulbs is on the edge of the platform; operation is like an electric sign. Cars keep abreast of the "running" lights which are 75 ft. apart, required automobile spacing in the tunnel*

up, there was not attributed to merchandise the remarkable virtues now being claimed for these recent products of the times. 'Cheap' merchandise has been glorified in such terms that a customer wishing to buy a better article must almost break down a guilty feeling of extravagance before she makes her purchase."

On the Danger Line

He added that the increase of exaggeration and false statements in retail advertising was rapidly approaching the danger line. Here the retailers stand to damage or lose a confidence in newspaper and mail announcements built up through years of careful effort, by the expenditures of millions. Consumers have bumped into the ancient truism—That you can't get something for nothing. They are now impressing on retailers that what they want isn't cheap goods, but good quality at the right price.

Neil Petree, president of James McCreery & Co., New York, touched on the danger of reckless advertising; summed up with: "We must campaign and crusade anew within our own organizations and in the markets upon the subject of quality standards. Entirely too much merchandise has been manufactured with price as the primary consideration. . . . A quality consciousness must be revived if we are really to meet the requirements of our customers who are daily becoming more rather than less discerning."

Even the better classes of stores and specialty shops were unable to resist the stampede, pursued the downward spiral of prices in the hope of retaining their volume. Now that the bottom is reached, many are rubbing sore spots and meditating upon the unhappy fact that good will and confidence patiently built up through decades can be destroyed almost over night. The wise store, regardless of class, is the one which has given patrons better goods at approximately the same price.

Their Advertising Tells

By their advertising ye shall know them. Retailers whose financial foundation remains sound have generally tried to keep up quality, have resisted the false gold rush after low prices, have been content to break even, even dip into reserves. They have protected customer good will at any cost. Most flagrant offenders are the financially weak. With bankers stepping on their heels, demanding immediate dollars to retire debts, the harassed merchant saw no way but to join the general cry that his wares were cheaper than his competitors'. It is far easier to scramble into a lower class than to climb into a higher. Good stores that have indulged in high-pressure sales at sub-basement prices will find it hard if not impossible to regain their former standing.

Sounded a Warning

The Dry Goods Association meeting served to focus attention on the general evil, and to warn that the reaction was at hand. Retailers were told that it was time to forget the old idea of volume at any cost and return to the less spectacular but more comfortable policy of buying and selling for a profit. A determined stiffening of price this year was prescribed as necessary to meet the evident desire of the public, to promote the sales of better merchandise. Stores with junk still on their hands are advised to sell it to smaller retailers in cheap streets, to get rid of it through auctions—anything but to sell it under their own roofs where it would further damage their standing with the more desirable trade.

The other great problem facing retailers has been aggravated by the decline in net profit. Costs simply have to be cut. Expenses have declined but not so rapidly as profits. Prof. Malcolm McNair, director of the Bureau of Business Research, Harvard School of Business Administration, estimates that the ratio of dollar expense to sales climbed from 33% in 1930 to 35% in 1931. "The net showing under this situation will be very slim for many stores."

Store executives have read the same story on their balance sheets. They are now engaged in an intense effort to shave costs to a minimum; are putting every employee, every machine, and every inch of floor space on a basis that makes them pay their own way."

Value of Brands Shown In Meat Price Trends

Decline in wholesale prices of meats has paralleled the drop in other food prices according to the Institute of American Meat Packers, comparing January, 1932, prices with those of 1931 and 1930.

Reductions in the various classifications range from 36% to 62%, the deepest declines in items such as pork products where machine operation has given packers the largest margin.

Pork loins dropped only 15 points during 1930, but 44 in 1931, are now 59% under January, 1930; spare-ribs dropped 62% in two years; hams, 40 to 50%; lard, 42%; fresh pork shoulders, 57%; butts, 61%.

Significant is the fact that prices on

bacon, a highly competitive item, largely sold packaged under private and national brands, dropped only 2 points in 1930, but bacon now sells at 43% less than 2 years ago, indicating that established demand for the branded product enabled manufacturers to resist price concessions until well along into 1931.

While price declines on veal, lamb, and medium size steer carcasses reached 50%, the choice steers, weighing 700 lbs. up, dropped only 36%.

Illustrating how closely prices of meat follow on-the-hoof quotations, the Institute reports December, 1931, livestock prices on steers 36% under those of December, 1929, and sides of beef 40% lower.

With 16 groups of meat products classified, the price reductions reported by the Institute during 1931 averaged 33%. This represents practically double the 16 2-3% reduction of prices of all classes of foods in 51 cities, reported by the U. S. Department of Labor for December, 1931, as compared with the same month of 1930.

New Products and Methods Bid For a Renaissance of Brick

The 3,500-year-old industry has set out to recapture its lost markets

FORCED by 6 years of declining sales to recognize the need for market development, new merchandising methods, and aggressive sales promotion, members of the 3,500-year-old brick industry came out of last week's annual convention of the Common Brick Manufacturers of America with new plans for recapturing lost markets and building new ones by advocating new methods for using their products.

Through the building boom years of the post-war prosperity, many manufacturers failed to give due weight to the steady gains of competing natural or manufactured substitutes for their product. Bricklayers failed to notice what was happening to their opportunities for employment as they forced wages far above average for other building trades and simultaneously reduced their daily "output" of brick laid.

Acme

SCULPTURE IN BRICK—*Harvard's Biological Institute is decorated with designs chiseled in the brick after laying. It is the research laboratory for the departments of physiology, zoology, and botany*

Wages Up, Output Down

In 1929, according to the National Industrial Conference Board, bricklayers averaged $1.635 an hour against a $1.185 average for other building trades. Practical contractors report that bricklayers, ordinarily capable of laying 1,500 to 2,000 brick a day, voluntarily or through influence cut their "output" until in some cities they laid but 500 to 600 brick daily, although receiving the highest rate of wage in bricklaying history.

With the initial cost of brick somewhat above that of competing materials, this prohibitive rate of bricklayer wages accelerated the decline in the use of brick.

Production of common brick dropped steadily from the peak of 7½ billions in 1925 to approximately half that figure in 1931. Many plants have been forced to shut down entirely while others are operating at fractions of actual capacity.

The campaign to rebuild the industry will expand into 4 distinct fields.

Mass markets, represented in large commercial structures, are expected to react favorably to a new type of reinforced brick construction developed by the industry for their use, found practical, economical, and exceedingly satisfactory.

3 Shots at a Prospect

Residential building with brick will be stimulated by a national campaign, supported by intensive sales activity in various distributing territories. Where the 100% brick house cannot be sold, brick veneer will be urged, and, where that fails, the brick maker will fall back on brick foundations built after the newly developed "Pittsburgh plan," found lower in cost than other types.

Then, taking a leaf out of the book of the automobile industry, these brick makers are preparing to widen their market by facilitating the financing of construction. Plans now under consideration involve instalment payments stretched over a minimum of 15 years, are sponsored by the National Homes Finance Corp. and Construction Investment Trust.

Finally, attempts are to be made to avoid excessive overproduction, gear output more closely to consumption. The U. S. Department of Commerce has agreed to collect monthly statistics on inventories, shipments, production, will, if at least 60% of the industry report, issue monthly bulletins.

Meanwhile makers of face and paving brick are similarly under way with reconstruction campaigns.

With the possibilities for new colors, textures, shapes, practically exhausted, the face brick manufacturers, acting through their national association, cooperated with Dr. C. F. Burgess in organizing an extensive program of research. This has resulted in development of the floating brick (*BW—Feb 10'32*) weighing 80% less, giving 5 times greater heat insulation than regular brick. This, when production problems have been solved, may reasonably be expected to initiate a new type of construction involving larger units, better use of space, less labor in construction.

Paving brick manufacturers believe that the re-surfacing of worn-down concrete roads will afford them practically unlimited opportunity for future sales. They hold that every good brick-paved road first needed a concrete foundation, that existing concrete roads are foundations which, re-surfaced with brick, will become practically permanent. They also point to the fact that whereas concrete machines average about 1,000 ft. of 20-ft. wide new concrete road per working day, a recent job of re-surfacing an 18-year-old concrete road with brick showed a 1,700-ft. daily "output."

Cigarette Big 4 Hold Their Own But Smaller Folk Are Ambitious

SUPER-MERCHANDISING plus super-advertising evidently have carried 2 of the Big 4 group of cigarette manufacturers through 1931 to new high records of earnings, have permitted one to maintain virtually the 1930 high level, have enabled the fourth to make substantial gains over 1930, despite the fact that government figures show a general decline in tobacco consumption.

First of the Big 4 to issue its annual statement, R. J. Reynolds Tobacco Co. shows earnings up $2,140,171 (over 6%), claims a decided increase in sales of Camel.

Liggett & Myers reports 1931 earnings slightly under the all-time record high of 1930, indicates that sales of Chesterfield cigarettes have held up well, that its leading brand of smoking tobacco, Granger, has shown largest increases in sales of all its products.

"Bull" Durham's Run

Final annual statements of American Tobacco Co. and P. Lorillard & Co. will not be issued until March, but dependable forecasts credit the former with substantially larger earnings than those of 1930, its record year, particularly large gains in Bull Durham sales, possible new records in sales of Lucky Strike cigarettes and Cremo cigars. Lorillard, maker of Old Gold cigarettes, is expected to show material increases in profit and sales over 1930.

This indicated performance record of large producers is partly accounted for by the increase in wholesale cigarette prices, effected in June, 1931, further by their apparent ability to maintain sales volume through aggressive advertising, despite the boost in prices.

Thus small producers evidently have suffered most of the losses in sales reflected by the government report.

Internal revenue receipts from cigar taxes continued during 1931 the decline begun in 1920, have dropped 15.53% under 1930. Taxes from manufactured tobacco and snuff were slightly under the 1930 total, only 6.75% under the recent high of 1927, while taxes from cigarettes were but 5.17% under the all-time record 1930 total, in actual output representing 6 billion fewer cigarettes.

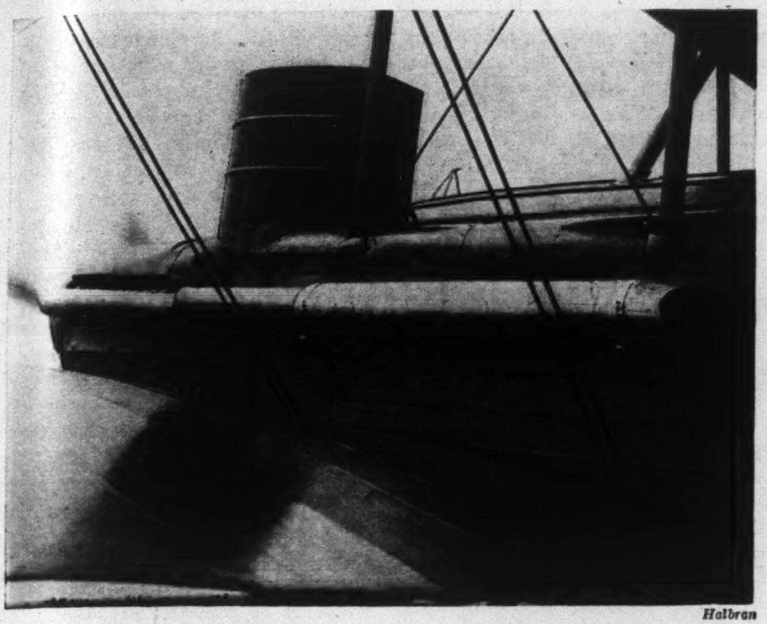
Wholesale and retail tobacco dealers report that many smokers have changed brands, mostly in an attempt to reduce cost, that the better quality of 5¢ to 8¢ cigars has decreased the sales of higher priced brands, causing a proportionate cut in their profits, that sales of tobacco to the roll-your-own customers are not as quickly made as sales of cigarettes, consequently are more costly; that if standard brands of cigarettes were reduced in price to retail again for 12½¢ per pack of 20, general improvement would result, and demand become more stabilized.

Meanwhile important manufacturers not included in the Big 4 group of cigarette makers consider this a golden opportunity for launching new brands of cigarettes.

Larus & Brother Co., veteran Virginia manufacturer of tobacco products, is attempting to cater to both the buyer of ready-made smokes and the roll-your-own enthusiast, has just brought out White Rolls cigarettes, to retail for 10¢ per pack of 20, selling to dealers at prices netting but a small profit, while its new RollRite tobacco has been developed for hand rolling cigarette machines, retails for 10¢ per pack—makings for 30 cigarettes.

The Business Week

SAVING THE FLAVOR—*In coffee roasting, as in packing, "oxygen is the thief of flavor." Coal and gas roasters need air for combustion, the forced draft takes much of the bouquet. The new electric roaster conserves flavor, permits closer control. Robert Whitehouse, co-designer, examines a roast*



Halbran

AIRPLANE MUFFLER—*Taking the noise out of commercial planes without taking out the power is one of the problems of aviation. This new muffler, designed by Ralph Lockwood, chief engineer of Eastern Air Transport, does it by spinning the gases through an open spiral, reducing noise 75%*

Industry Awaits a Double Test Of Right to Control Competition

Decisions on coal agency and steel construction cartel will make anti-trust law history

Two events which are likely to be of outstanding influence upon the future development of industry in this country are the prospective Supreme Court reviews of the case of Appalachian Coals, Inc., and of the Americanized cartel plan sponsored by the American Institute of Steel Construction, both expected in the near future.

First Attempts

Although differing considerably in details, both plans represent first attempts on the part of industry to reorganize itself for the elimination of destructive competition in a way which considers the public interest. A decision by the Supreme Court as to the legality of such acts under the Sherman Law will be awaited with eagerness by all business men and will have great influence upon action to be taken by Congress on bills now before it looking to revision of the anti-trust statutes.

Appalachian Coals, Inc., is the first tangible result of the regional coal selling agency plan advanced by the National Coal Association as a method of relief from some of the ailments which afflict the soft coal industry (*BW—Jan 20'32*). It is set up as a central sales agency for operators of high volatile bituminous coal mines; is empowered to allocate production among its members and to fix prices of their products.

Plans were submitted to the Department of Justice which reported that, unless legislation was secured to permit such agreements, its validity must be tested in the courts. Backed by able counsel, led by William J. Donovan, former assistant attorney-general who drew up the plan, the coal industry believes the plan is legal. The Department of Justice doesn't.

Under present laws the normal way to obtain a decision from the Supreme Court would be for the agency to organize, start to operate, and thus lay itself and its members liable both to criminal prosecution and, in case of an adverse decision, to the triple damage penalties of the Sherman Act. With the cooperation of the Department of Justice, however, it may be possible to arrange for a court review of the case without so endangering agency members, and negotiations for an early test are going forward.

Legislation in Reserve

Meanwhile, the industry's attention has been shifted from the Davis-Kelly Bill, designed to legalize such agreements among coal operators and including federal licensing of coal companies and what amounts to forced recognition of a national union by licensed operators. Coal operators generally oppose this bill, chiefly because of the union recognition feature, and backers have not pressed it pending the Department of Justice report on the legality of the sales agency. With an adverse report and a court test pending, pressure behind the bill is expected to increase and, in case of an adverse decision by the Supreme Court, it may become of real importance in the coal picture.

The cartel plan proposed for the steel construction industry (*BW—Nov11'31*) is in about the same position. The Department of Justice believes it illegal; counsel for the steel construction industry is convinced it is legal. Plans are going ahead for organization and preliminary operation of the program in expectation of a citation and trial before the Supreme Court.

Difficulties existing in interpreting anti-trust laws are well illustrated in both cases. Competent counsel disagree. There remains no way of choosing between them except by a court decision which, in view of the lack of uniformity of Supreme Court interpretations of the so-called "rule of reason" during recent years, cannot be foretold by anyone, probably even by individual members of the court itself, prior to a vote.

Illustrates Difficulties

The difficulties besetting industry in its attempts to stabilize itself are also illustrated in these cases. Its representatives assert that here are 2 industries sorely tried by destructive competition which is demoralizing both the labor and capital employed in them and which is also having serious public consequences. A sincere attempt is being made to improve conditions by what those who are making it feel are the only methods suitable and likely to be successful and which seem to them to give full consideration to the public interest. Yet under our anti-trust laws, the plans cannot be operated without laying participants liable to the drastic penalties of the law nor can any official and responsible opinion of the legality of their acts be obtained prior to assuming this liability.

Opponents of anti-trust law revisions say that all the agitation is for legal price-fixing; that there need be no doubt in any minds as to whether a proposed plan is legal or not. Opinion is growing, however, that while this attitude might have been justified in recent years, there has now developed in a number of industries a desire to consider the public's interest in their proposed reorganization policies, so far defeated by the impossibility of predetermination of how far cooperative efforts toward the general welfare can legally go.

Doubling Up of Families Masks Sizable Demand for New Houses

Beyond showing real estate extremely depressed and practically devoid of improvement in the past year, the 318-city survey of the National Association of Real Estate Boards made public this week confirms 2 factors at least potentially important.

The first is that considerable construction activity is being prevented by financial strain. Secondly, a sizeable demand for housing is being concealed by the extensive practice of more than one family's crowding into quarters intended only for one.

In each of the 9 geographical regions of the country and in every classification of city a shortage of mortgage money was shown. For the entire country, 70% of the cities reported a shortage, 22% equilibrium and only 8% an excess of mortgage money. The money supply is best in the largest cities, though 60% of the cities above 500,000 population reported deficiencies.

The doubling-up factor is difficult to measure. The real estate organization says that it counterbalances the virtual cessation of residential building, and masks what normally would be a considerable undersupply of residential space. An actual canvass in Kansas City recently showed that 6.2% of the homes housed excess families, the total of excess families numbering 5,059.

The real estate organization stops short of attempting to say when these 2 factors may be turned to the account of business by bringing increased real estate activity. Doubtless the Reconstruction Finance Corp. will play an important rôle in the financial situation, and its success will determine in considerable part when the financial stringency will lift. Real estate men are hopeful for help on this score from the proposed Federal Home Loan Banks and are pushing the measure aggressively in Washington. Indirectly more liberal commercial bank policies and cessation of hoarding also will ease credit.

Change Will Come Slowly

Expansion of demand for housing from families now doubled up will, of course, await a general increase in purchasing power, which will come slowly as business improves. Lower rents may help to bring out this demand.

Meanwhile, real estate activity is at a very low ebb. Lesser activity than a year ago is the general rule in 57% of the 318 cities. Only 12% report greater activity. Prices at which transactions are made are lower than a year ago in 85% of the cities, higher in only 1%.

A normal supply of single-family dwellings is reported in 71% of the cities, and a normal supply of apartments in 64%. Shortages for each class of building are shown by 13% of the cities. For business property 63% reported a normal supply, 36% an oversupply, 1% a shortage.

Rents are down, being below levels of a year ago for single-family dwellings in 76% of the cities, for 2-family dwellings in 81%, and for apartments in 63%. Business rents showed general declines, though central locations had fair stability. Subdivision activity was reported to have receded.

Central News

German Steel House—*Although of all-metal construction, using standardized stampings, lines are reminiscent of the German Alps. It comes in ready-fabricated sections, can be erected on the lot in 8 hours with 3 men*

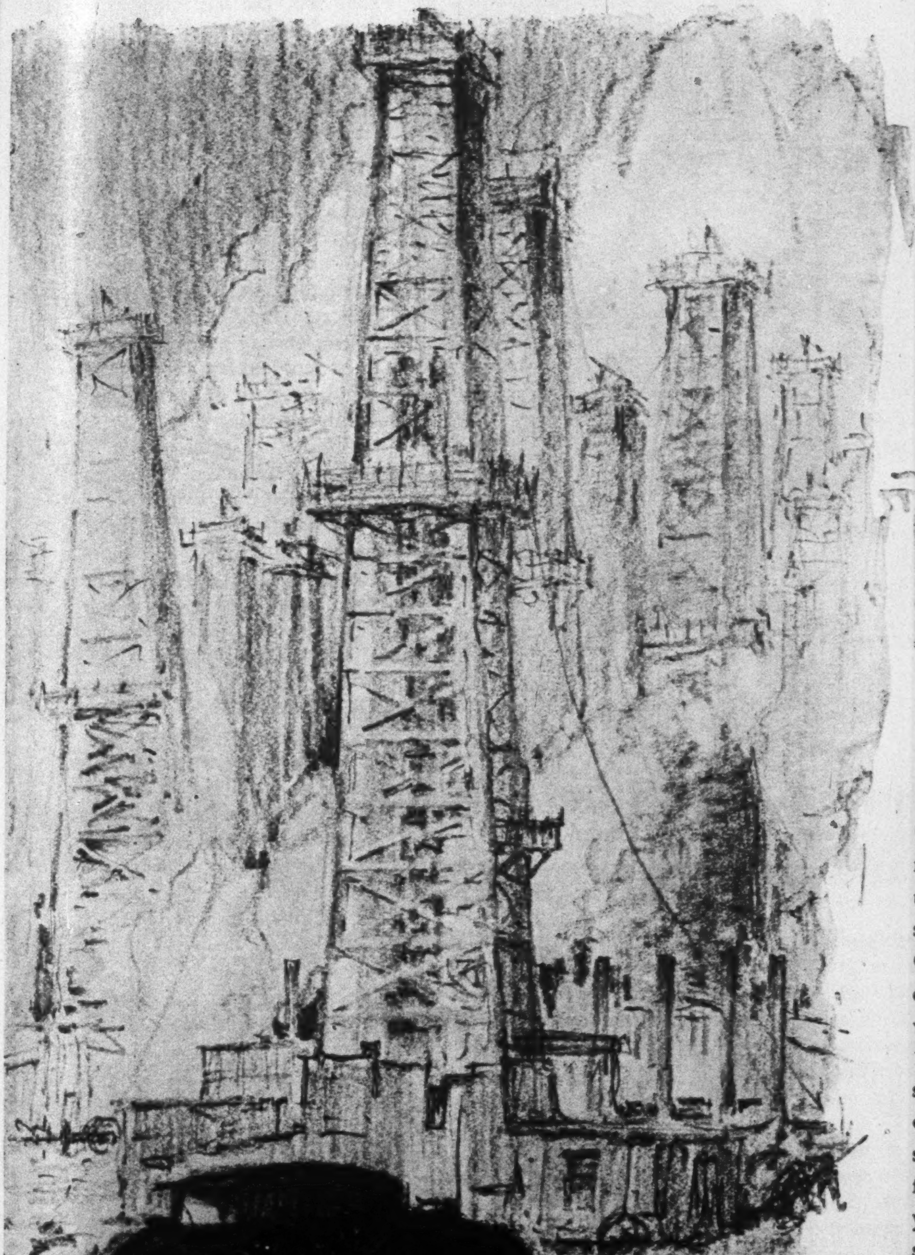
Par for Job-Hunters Was 18.15 Tries in January

Evidence of the continued decline in industrial employment opportunities is supplied by the Cleveland unemployment index for January.

This index, compiled by B. C. Seiple, superintendent, Cleveland Public Employment Service, records the average number of times a person must apply at the employment office before receiving some kind of work.

Last month it stood at 18.15, highest in the 18 years since it was started and a drastic increase—2.38 points—from the December index which was the preceding all-time high.

Since 1914, and including 1931, with its record high of 12.22, the average monthly index has been 3.69. In only 7 years—1914, 1915, 1921, 1927, 1928, 1930, 1931—has that 3.69 been exceeded. Best record was that of 1916 when job-hunters had to make only 2.41 calls before getting work.



SERVICE which the California petroleum industry receives from Bank of America indicates the unique character of this statewide institution . . . All of California's eight largest oil companies are depositors here, with 200 separate accounts in 147 communities. Their widespread operations parallel Bank of America's facilities, greatly simplifying collections, transfers and accounting . . . Would your business profit by such service? Full particulars may be obtained from Bank of America, San Francisco or Los Angeles.

◆

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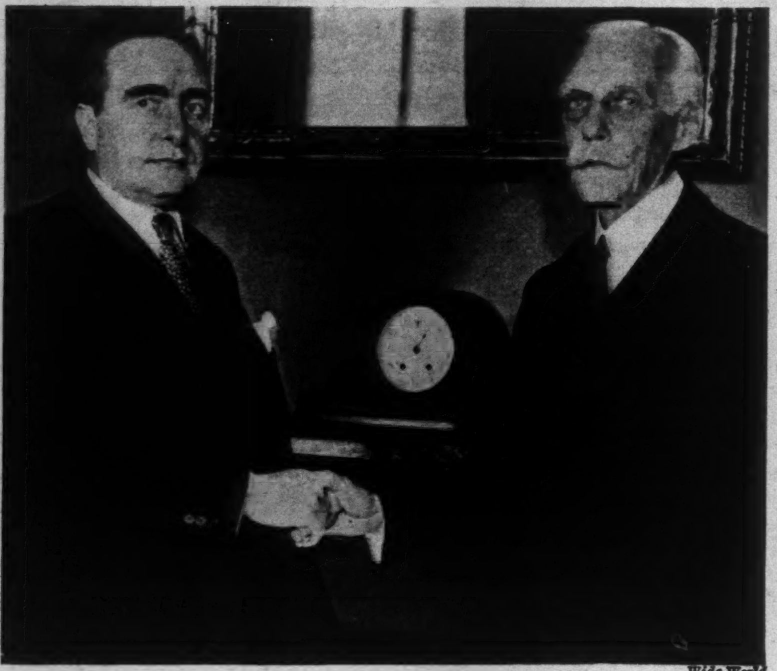
Bank of America National Trust & Savings Association, *a National Bank* and . . . Bank of America, *a California State Bank* . . . are identical in ownership and management . . . 410 offices in 243 California communities



Wide World

IT'S MUTUAL—*Mr. Mills (left) and Mr. Mellon congratulate each other on their appointments as Secretary of the Treasury and Ambassador to Britain*

Building Labor, 62% Jobless, Is Told Wage Cuts Mean More Work

WITH a second, and what it maintains is a final, rejection of the employers' proposal for a 25% to 30% cut, the Building Trades Council of New York has opened up the highly controversial subject of wage scales after everybody thought it had been settled for the country's biggest city.

To the first proposal for a cut, made several weeks ago, union leaders countered with an offer to accept 10%. The Building Trades Employers Association objected to this, carried on extensive arguments with union representatives, finally decided to adopt the 25% cut and told its members to make it effective for 20 months from May 1. For a week or more after this announcement union leaders were quiet and the industry thought the fight was over. After their latest decision, representing the views of 175,000 building workers in the New York area, further negotiations will be necessary to avoid costly strikes.

Employers claim the new scales will give many workmen better wages than they now receive. They say that, while a few large companies have been regularly paying union scales, many more have cut rates and have been paying as little as possible. With fierce competition for jobs in the New York area it is reported that many skilled workmen have accepted jobs at 50% or more below scale.

Elimination of this confusion by getting back to uniform scales is claimed to be a chief advantage of the wage cut, equal in importance to the expected decrease in construction costs. Prospective owners, builders, architects, financiers are all expected to renew their shaken interest in building operations when lower costs are coupled with firm prices for the labor which accounts for some 50% of total costs. Others, less optimistic, assert that credit is the chief item restricting expansion of building operations, that uniform wage scales and lower costs will have little effect without better credit facilities.

What building tradesmen have suffered through lack of work in 1931 is indicated by *Engineering News-Record* figures on engineering construction contracts reported last year—$2,454 millions compared with $3,173 millions in 1930. Public works increased 142% over 1930 but failed to offset the 50% slump in private construction. Residential building reached only two-thirds of the 1930 value, non-residential barely half. At the close of 1931, A. F. of L. figures show, 62% of skilled building labor was jobless compared with a 23% average for all industries.

Several other cities have already witnessed cuts in building wage scales (*BW—Feb3'32*). The number is likely to be increased rapidly following the New York action because New York practices are generally followed by many other building centers. Negotiations for lower scales are under way in Cleveland, Chicago, Philadelphia, Los Angeles, Boston and Cincinnati. In many of these cities union officials are reported favorable to decreases but not always to the drastic cuts proposed by employers.

Seven other cities of New York state have effected reductions. Hartford, Conn., Master Builders have imposed a 25% cut on 10 skilled and unskilled trades to take effect Mar. 1. In Pittsburgh, the Building Trades Council has refused to accept a 25% cut proposed by employers, although carpenters have agreed to take a $2 a day cut.

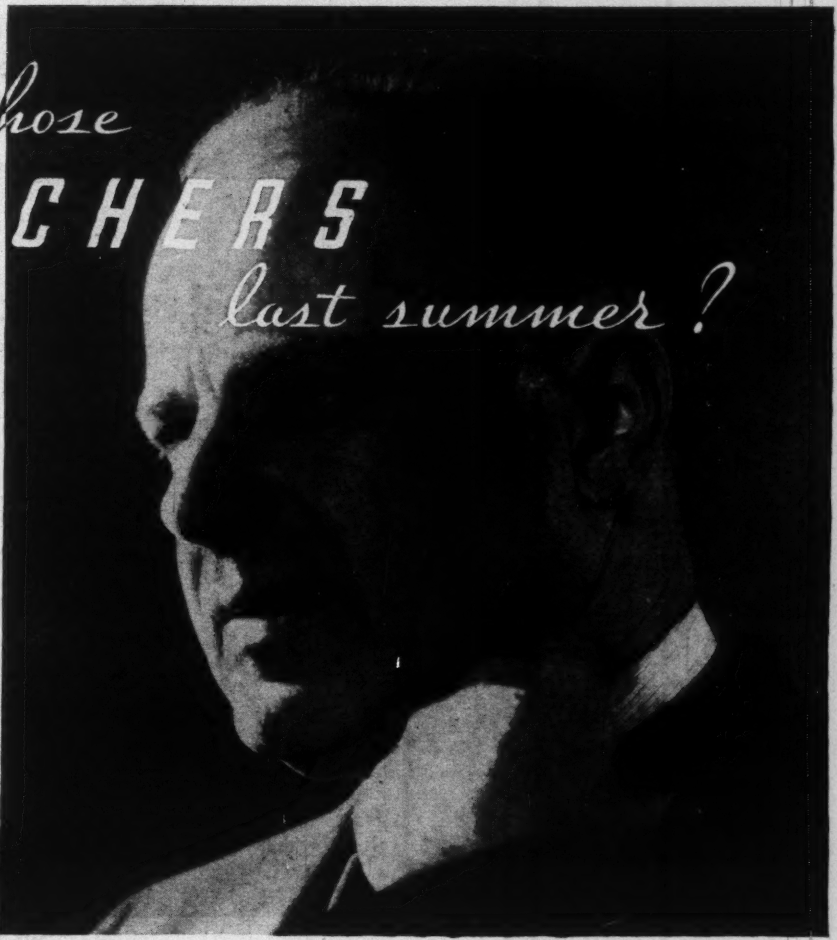
Drive Against Hoarding Vital Part of Hoover's Recovery Plan

THE anti-hoarding drive just launched is an essential part of the broad Administration program to relieve the banks and through them so to expand credit as to raise prices and stimulate business.

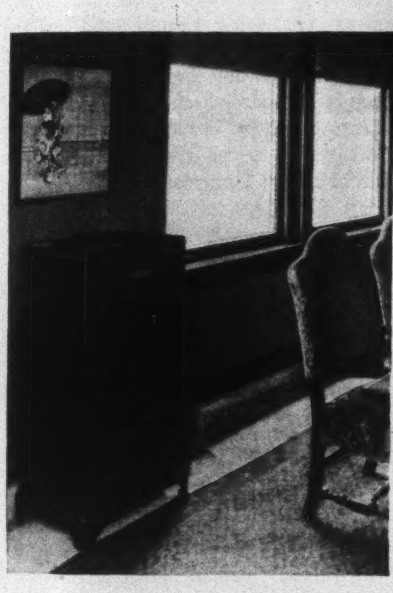
The dollar withdrawn from a bank is a dollar the bank cannot lend to finance business transactions. It is much more than a dollar, in fact. It is a dollar gone out of reserves, and a dollar out of reserves may mean $5 to $10 less lending power. Moreover, the fear of further withdrawals will cause the bank to keep more cash than normal, i.e., lend even less than its strength ordinarily would warrant. This is the multiple leverage hoarding exerts upon banks and through them upon business.

So long as hoarding persists, then,

Remember those SCORCHERS last summer?



● Hot, humid days . . . sultry, sleepless nights! Remember them? When the thermometer goes up, our energy and efficiency go down. Work slumps . . . our spirits lag . . . we are robbed of our mental efficiency. Don't go through another summer in such discomfort.



● *KEPT COOL!* "The Frigidaire Room Cooler which I had installed early this summer produced most comfortable conditions throughout the extremely hot weather."

. . . Mr. Frank M. Tait, Dayton, Ohio.
Public Utility Official

● Here's welcome news for you. General Motors and Frigidaire engineers have perfected a marvelous new device . . . the Frigidaire Room Cooler. It is simple and can be installed anywhere. It transforms hot, stuffy rooms into cool, refreshing havens of comfort as if by magic.

And it's so simple. You just press a button. Instantly your Frigidaire Room Cooler starts to draw in the warm air, and flood the room with cold. It does this without creating annoying drafts or breezes. And as it takes out the heat, this remarkable device also reduces humidity—*it provides cool air that is dry and healthful.*

Frigidaire Room Coolers will contribute as much to your comfort in warm weather as radiators do in winter, and at a moderate operating cost. There are models for all purposes . . . wherever real comfort is wanted during hot days. Send for booklet. Frigidaire Corporation, Dayton, Ohio. (Subsidiary of General Motors Corporation)

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Checks are safe, convenient. And a checking account gives you a receipt for every bill you pay—a monthly record of expenses—the prestige and advantage of a good banking connection.

GEORGE LA MONTE & SON · NUTLEY, NEW JERSEY

79 OUT OF THE 100 LARGEST BANKS
USE
LA MONTE
SAFETY
PAPERS
FOR CHECKS

the banks will not be willing to go far in expanding credit. And until the banks can cooperate, the activities of the Reconstruction Finance Corp., the Federal Reserve Banks, and other groups will come to naught. Now the banks are backed by the Reconstruction Corp., securities and commodities are at low prices, the Federal Reserve is ready to swing into an expansionary program, and a drive to get money out of hoarding is in progress.

Granting the banks were confident enough so to use them, the hoarded funds could provide the basis for more credit, and thus help business more than the Reconstruction Corp. itself. The $1.3 billion now called hoarded could be expanded by the banks 5 to 10 times at least, thus providing far more funds than the $2 billions which is the maximum provided for the corporation.

Success of the move is unpredictable; public psychology at this moment is unguessable. In any event nothing like the $1.3 billions, Washington's estimate of hoarding, is likely to be returned to banks. Washington takes the total increase in currency circulation from a year ago plus an adjustment for price change and calls it the total of domestic hoarding. That isn't accurate. Part of the funds is hoarded abroad and will not be affected by domestic factors. Part is currency in use in communities where there are no longer any banks. Another part is in use as a result of service charges by banks, which have caused some small depositors to use cash instead of checks. Still more is being held in the vaults of banks. The amount to be coaxed out of mattresses and tomato cans is, therefore, considerably less than the figure used by the President.

I.C.C. Hears Roads Are Generous With Passes

Too many people are riding railroad trains free of charge, the I.C.C. hears. Picking a railroad believed to be neither more generous nor more stingy than the average with its passes, the commission is making a thorough investigation. Whether it goes further will be decided upon the results of this sampling.

There is no allegation that the law has been violated—but it has been interpreted broadly. Officials of little logging roads have passes on all the great systems—perhaps because they control some freight.

Income of People of U. S. Down $35.1 Billions, 41.5%, From 1929

Shrinkage exceeds drop in prices, dragging purchasing power back to 1921 level

PRELIMINARY estimates made by *The Business Week* indicate that the combined income of all individuals in the United States declined from $89.5 billions in 1929 to $65.6 billions in 1930 and $52.4 billions in 1931.

This is the greatest decline in national income of which we have any record and brings the figure for 1931 approximately back to the average level of 1917-1918. The deflation from the peak figure of 1929 was about 41.5%, somewhat in excess of the decline in the volume of general business activity as measured by any of the usual indexes, and almost 3 times as great as the decline between 1920 and 1921.

Inflation Wiped Out

The accompanying chart tracing the course of the national income figures since 1909 shows how the inflation of the national income during the war and post-war years, accompanying the tremendous rise in price levels, was almost wiped out by the end of 1930. During 1931, the national income fell far below the normal line of increase based on the average rate of growth for the 50 years preceding the war. The dotted line in the chart, in which the effect of changes in the general price level is eliminated, indicates that the decline in national income in 1930 and 1931 was considerably more than can be accounted for by mere changes in the value of the dollar and represents an actual contraction of the current national purchasing power on a tremendous scale, bringing it back to the 1921 level. The chart is a graphic demonstration of the destructive effects of an uncontrolled deflation, on the standard of living.

The figures upon which these estimates are based for 1929 are those of the National Bureau of Economic Research, corrected in some details for later and fuller reports that were available after the Bureau's latest estimate was published. For 1930 and 1931, the estimates have been constructed by *The Business Week* from preliminary reports and from current indexes showing the changes in the major items of individual income. The 1931 figure of $52.4 billions is considerably lower than that given in our earlier estimate published in *The Business Week* for Dec. 30, owing to the fact that at that time the details had not been fully worked out.

By Classifications

For the major classes of individual income the changes since 1929 are striking. The wages and salaries plus pensions, compensation, and other private business payments to employees, declined about 47.9%, or from $47.9 billions to $24.9 billions. The income of individuals from business sources and investments, including interest, dividends, rents, royalties, and net capital gains, declined 48.5% from $33.1 billions to $17 billions. Individual business and partnership income fell 45% from the figures for 1929. Dividends, interest, rents, and royalties showed a smaller decline, while capital gains practically disappeared.

In striking contrast to the decline in income of individuals from private business enterprise, civil and fiduciary

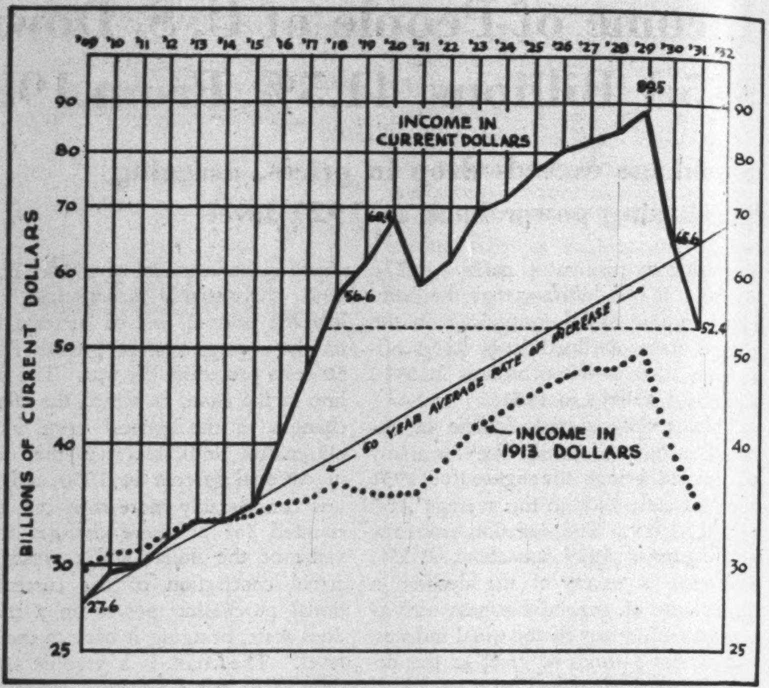
What Happened to the American Pocketbook 1929-1931

(Figures are Millions of Dollars)

	1929	*1930*	*1931*	*Per Cent Change 1931 from 1929*
Wage and Salary Income				
Wages of wage earners attached to all industries	**$34,487**	**$23,677**	**$17,480**	**—49.31**
Salaries of employees attached to all industries	**13,101**	**9,232**	**7,229**	**—44.82**
Pensions and compensation, industrial	**310**	**273**	**222**	**—28.11**
Total	**$47,898**	**$33,181**	**$24,932**	**—47.95**
Business Income				
Individual business and partnership income	**$12,431**	**$9,208**	**$6,833**	**—45.03**
Dividends received by individuals from domestic corporations	**5,438**	**4,544**	**3,271**	**—39.84**
Earnings of private investors on investments abroad	**876**	**826**	**524**	**—40.18**
Interest received by individuals (on bonds, notes, mortgages, etc.)	**3,601**	**3,081**	**2,664**	**—26.00**
Rents and royalties	**5,144**	**4,104**	**3,283**	**—36.18**
Net gain from sale of stocks, bonds, real estate and other assets	**5,621**	**1,590**	**477**	**—91.51**
Total	**$33,113**	**$23,354**	**$17,054**	**—48.50**
Civil and Fiduciary Income				
Wages and salaries of federal, state and local government employees	**$4,180**	**$4,235**	**$4,780**	**+14.37**
Salaries of teachers in all public and private schools	**1,484**	**1,556**	**1,648**	**+11.05**
Life insurance payments to policy holders	**1,961**	**2,246**	**2,600**	**+32.55**
Pensions, bounties, gratuities, paid by all government divisions	**946**	**1,090**	**1,429**	**+51.02**
Total	**$8,572**	**$9,129**	**$10,459**	**+22.00**
Grand Total	**$89,584**	**$65,664**	**$52,446**	**—41.46**

income, including wages and salaries of government employees and teachers in public and private schools, life insurance payments to policy holders, pensions, bounties, bonuses, etc., paid by government agencies, showed an increase over the period of 22%, from $8.5 billions to $10.4 billions. In this way, government expenditures and life insurance payments together have helped to offset the decline in private income.

These estimates of changes in the national income are supplementary to comprehensive estimates of individual expenditures of the people of the United States which *The Business Week* is compiling. Final figures for expenditures are not yet available, but the preliminary indications are that the decline in individual expenditures between 1929 and 1931 was not so great as that in national income, suggesting that during this period there was an exceptionally great dissipation of capital reserves in order to support current consumer expenditures. Estimates of consumer expenditures for this and earlier years will shortly be published in *The Business Week.*



The Business Week

HOW FAR DEFLATION?—*Annual changes in total current monetary income of all individual income recipients in continental United States, 1909-1931*

Bus-Plane Hook-up Speeds Express Packages

EFFORTS to boost air express traffic continue energetically.

Not long ago, the Railway Express Agency, in conjunction with United Air Lines and other air carriers, put into effect a sharp reduction in rates as a magnet to draw more freight (*BW—Dec30'31*).

Not to be outdone, the Transcontinental & Western Air has hooked up with the Greyhound Lines to inaugurate a combined air-bus service extending facilities to shippers in 171 off-airline cities.

Parcels are carried by bus between these cities and the nearest airports and the transfer between plane and bus is made by Postal Telegraph messengers. This service is provided at the regular T.W.A. air express rates.

If a shipment is destined to a point on the T.W.A. system, store-door delivery is furnished through Postal Telegraph without extra cost, but where the point of destination is on a bus line, the consignee must call for shipment at bus station. Likewise at points of origin, free pickup is offered at places served by the airline; elsewhere the package must be delivered by shipper to bus station for forwarding.

Bus Industry's Small Loss Is Really a Good Showing

TRANSPORTATION in general may be at a standstill, but the bus industry has rolled through the depression with a traffic loss amounting to exactly 2.2%. And this minor setback is its first.

Buses last year carried 1,784,000,000 passengers, according to the annual survey conducted by *Bus Transportation.* Gross revenue fell off about 5% to $310 millions in 1931. This loss was due in part to a lower average rate per passenger-mile—2.85¢ last year, against 2.89¢ in 1930, 3¢ in 1929.

Bus passengers in cities totaled 1.3 billions, paid $170 millions in fares. Intercity (including interstate) passengers numbered 395 millions, paid $191 millions, and sightseers accounted for 6 million passengers and $12 millions in revenue.

While intercity companies carried only 23% of bus traffic, they operated 356,000 miles of route, or 91% of total route mileage, and accounted for 62% of the 11 billion passenger-miles recorded last year.

That expansion of the industry is not at end is shown in the increase of routes from 367,000 to 390,000 miles, and in the fact that of the 2,988 new buses bought in 1931 over half were for expansion. Bus transport in cities continues to grow, and last year in 46 communities of more than 10,000 population motor buses became the sole means of conveyance, except for taxis. The number of cities employing buses exclusively for local transport is now 259.

Bus purchases of materials and supplies in 1931 amounted to $117,600,000. Of this, $25 millions were for new buses, $25 millions for repair parts, $17 millions for tires, $2.2 millions for shop equipment, $41.4 millions for gas and oil, with the balance of $6.7 millions for improvements to shops and terminals.

Interstate Bus Traffic "Hardly Worth Control"

FEDERAL regulation and taxation of interstate buses, often mentioned as an indirect aid to the railroads, wouldn't help them much because interstate traffic is the smallest part of bus competition.

Such legislation might curb motor bus competition, might even induce more railroads to go into the bus business. Just what they'd gain is a question: their greatest loss of passenger traffic is due not to the interstate bus, but to the private automobile and the inter-city bus.

Last year, interstate bus revenue amounted to less than $50 millions, according to *Bus Transportation.* This is approximately 16% of the total gross revenue ($310 millions) of common carrier buses. (Railroads made $555 millions in passenger traffic in 1931.) Federal legislation would thus affect a relatively small part of bus earnings.

The same is true of the number of buses that would be subject to federal control. Out of a total of 45,400 vehicles operated as common carriers last year, not more than 5,600, roughly 10%, were in interstate service.

Truck Inquiry Headed Toward Safety Rules

After listening for a solid week to the violent attacks of truck carriers' and shippers' representatives against federal regulation of motor trucks, the trend of sentiment among the Senate Commerce Committee members indicates that the only restriction that may be recommended for interstate truckers is a uniform safety requirement. It seems improbable that the committee, known to be opposed to tying down the truck business with federal regulation, will favor the Couzens Bill proposal for the establishment of a permit system for interstate trucks. But it is possible that it may propose an inquiry to determine the character and scope of interstate trucking and its effect on the railroads.

During the hearings on the Couzens Bill, which proposed a mild form of federal regulation for both trucks and buses, T. R. Dahl argued for the National Automobile Chamber of Commerce that regulation of contract carriers would hurt shippers and bring no aid to railroads, but said there was no opposition to safety requirements. For the same body, LaRue Brown, its counsel, told the Senate Committee that federal regulation of contract truckers would be unconstitutional and inexpedient. R. C. Fulbright, representing the National Industrial Traffic League, said that Congress, rather than attempt to regulate trucks, should encourage railroads to coordinate highway and rail service and authorize them to make joint rates with truck and bus lines.

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For twenty-five years, The Sherwin-Williams Company has "covered" New England from a *Boston Wharf* location.

"Facility of distribution," says J. R. Stout, New England Manager, "is a big factor in our business as in many others. That is why our location here is such an asset. We have a railroad siding at our door. The proximity of railroad and steamship freight terminals cuts down carload movements appreciably. And, we can ship to any part of the territory by rail or truck with utmost speed—often at a saving in cost."

The *Boston Wharf* property adjoins the terminal yards of two railroads. Rents, insurance rates, and other overhead charges are relatively low.

If you are selling New England now, or are planning to enter this rich market, it will pay you to investigate our facilities. More than one hundred concerns, representing twenty-nine different industries, are now located here—among them: American Can Company, Corn Products Sales Co., Westinghouse Electric and Manufacturing Company, Cudahy Packing Company, Simmons Company, and White House Coffee.

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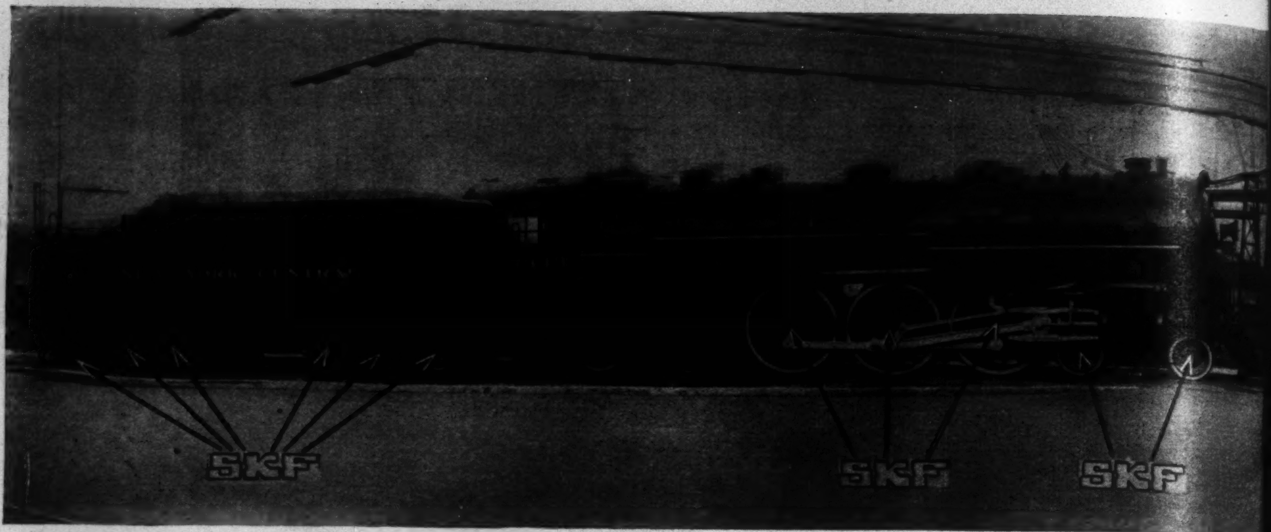
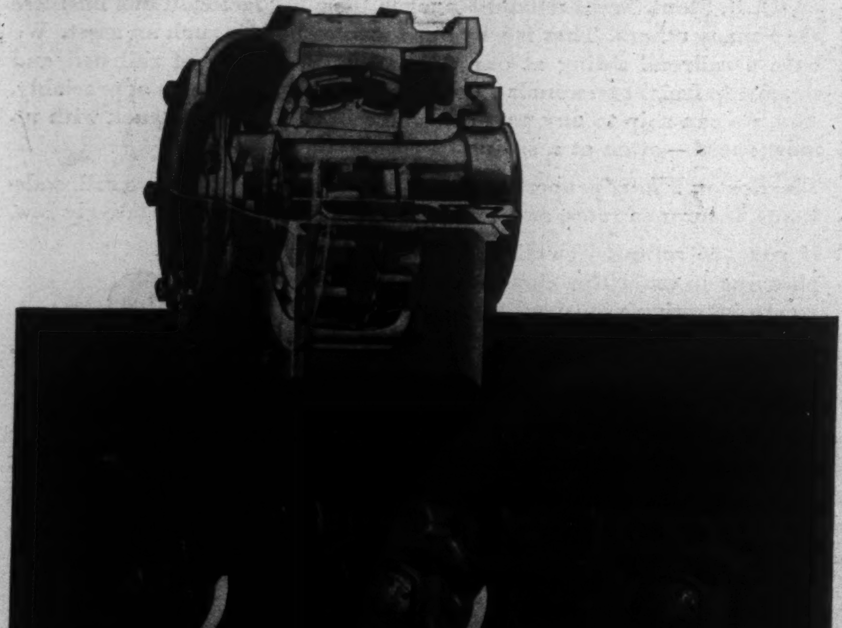


SKF SUCCESS *Spreads to Al*

Driving Axles of Hudson Type Locomotiv

NEW YORK CENTRAL PIONEERS WITH SKF ON LEAD TRUCKS



SKF on Driving Axles Another Milestone in Anti-Friction Development

PROGRESS...that is the dominant factor reflected in the job of applying SKF Journal Bearings to all the driving axles of a new Hudson Type Locomotive on the New York Central. What was only a short time ago considered as a remote possibility, now becomes an accomplished fact... *and on a locomotive owned and operated by a railroad.*

And this important advance toward the complete anti-frictionizing of the locomotive marks fifteen years of SKF experimentation and

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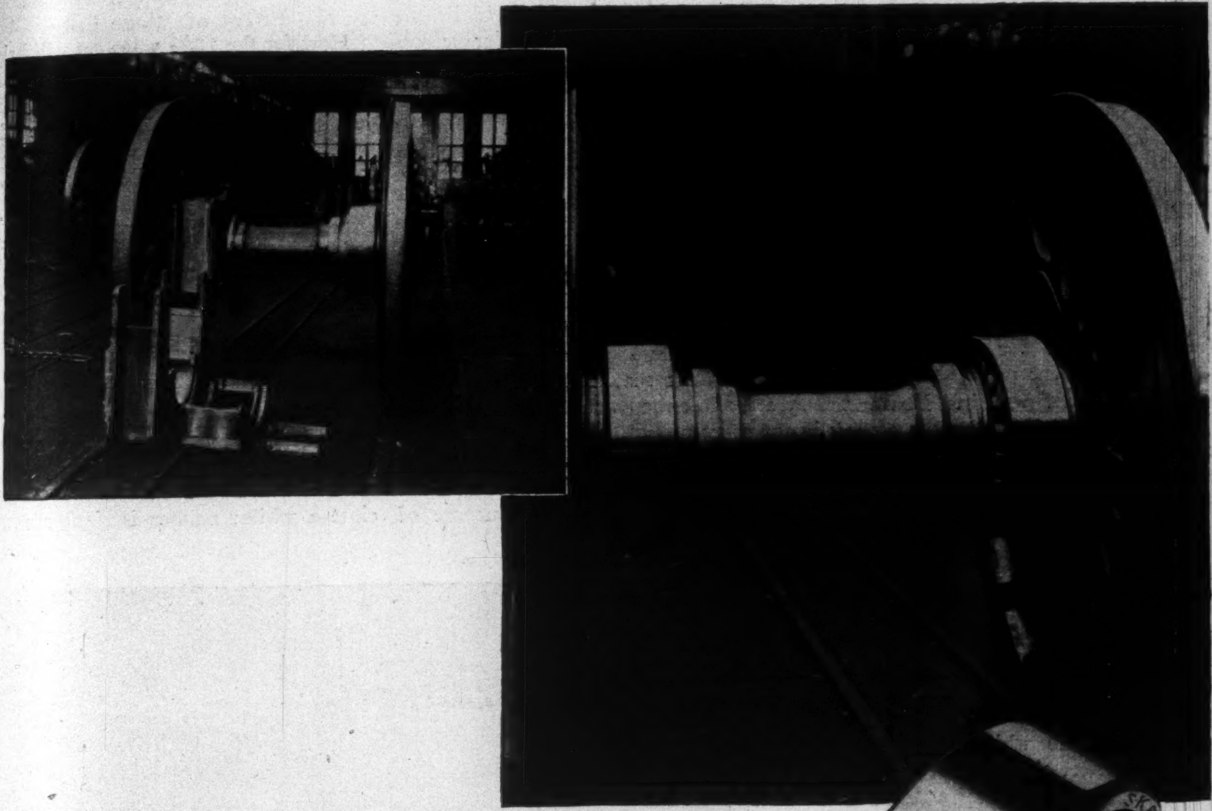
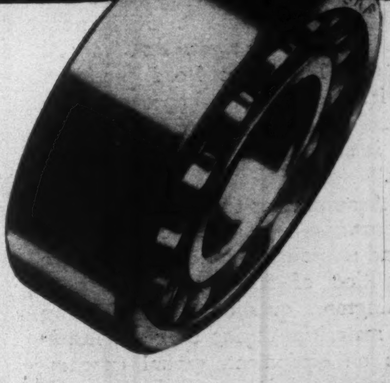


development. It is the culmination of over a million miles of service under passenger cars . . . seven years on heavy locomotive tenders . . . 50,000 miles on the main driving axle of another railroad owned locomotive . . . and over 300,000 miles of service on some of the 178 SKF equipped engine trucks on the N.Y.C. lines.

SKF Spherical Roller Bearings are specified and bought for continuity of service. Proved Performance justifies this preference. They mean higher mechanical efficiency, greater dependability, uninterrupted schedules and materially lower maintenance. These advantages indicate the reasons why SKF leadership has become so firmly established in the railroad field . . . and why more SKF Bearings are used on railroads than all other anti-friction bearings combined.



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JOURNAL BEARINGS

Roads Offer Constructive Use For Reconstruction Loans

Money that the strong ones borrow for improvement projects takes direct route to wages and purchases

PENNSYLVANIA RAILROAD, planning to apply to the Reconstruction Finance Corp. for a loan, offers the most ambitious program so far announced for turning Reconstruction Finance money into wages.

According to Gen. W. W. Atterbury, Pennsylvania will want to borrow about $5 millions a month to continue electrification work in the East. This project will mean jobs for some 10,000 men directly and, indirectly, for many more in electric companies, steel mills, and other supply concerns.

There is also a possibility that the New York Central and the Baltimore & Ohio will apply for loans to finance their improvement projects.

Increased Spending Power

The argument that loans to roads of such financial strength serve a constructive purpose seems sound. They add to wages, and so to spending power. They indicate to taxpayers and government bond buyers that the money which the government is putting into the Reconstruction Finance Corp. is not going into assorted rat-holes, but is to be invested where it is highly likely that it will come back after the present emergency is over.

The extent to which railroads will borrow to meet obligations coming due this year is problematical. Traffic will have much to do with it. Right now, increases are not in sight. As Henry A. Scandrett, Milwaukee Road president, puts it: "There is no improvement in traffic. I don't think any one knows what is around the corner. I'm sure I don't."

Assembling the Evidence

Meanwhile, railroads have been filling out and returning to headquarters of the Association of Railway Executives in Washington questionnaires showing bond maturities during the year, instalments on equipment, capital expenditures scheduled, interest and other such obligations. From such data it is expected an estimate can be made as to how much help railroads will need.

The Interstate Commerce Commission is reported already to have received many railroad applications for Reconstruction Finance loans. The list of petitioners will not be published until it has been acted upon. Because of the new relief provided to railroads, the I.C.C. has also been petitioned by the Missouri Pacific to reconsider allocation of the Cotton Belt to Southern Pacific, approved on the ground of Cotton Belt's financial needs.

I.C.C. Must Approve

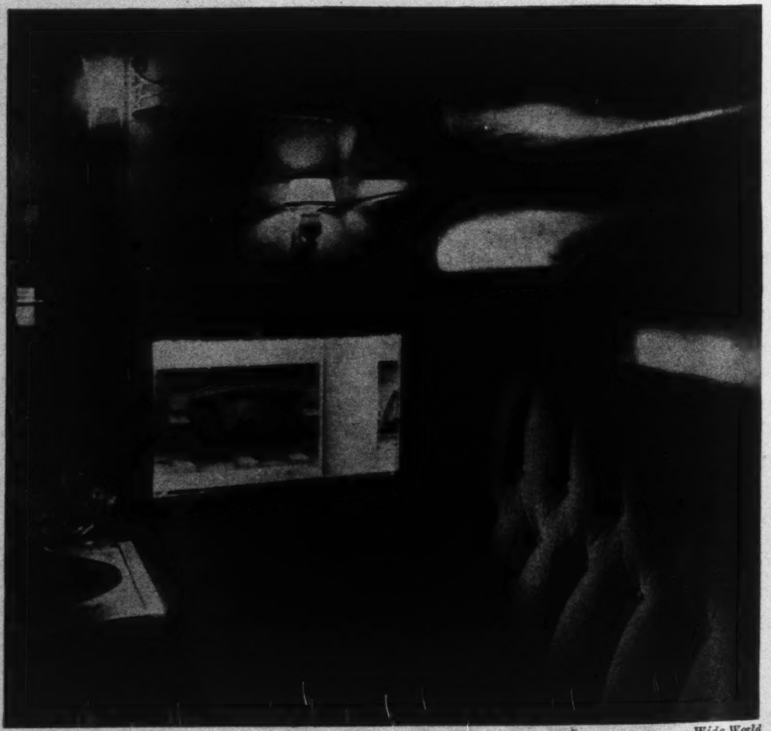
According to the procedure set up, the corporation's board, before passing upon a loan, must agree that the applicant is unable to obtain funds on reasonable terms from the banks or the general public, and that the corporation will be adequately secured. Moreover, loans must be approved by the I.C.C.; their maturity is limited to 3 years, while the amount extended to any one concern and its subsidiaries or affiliates must not exceed $100 millions at any one time. No advances will be made to railroads for the purpose of starting or financing any project that had not been undertaken prior to Jan. 22, 1932.

Of special interest is the question as to what extent receiverships mean added expenditures for reconditioning railroads. Wabash, now in receivership, is reported to have asked for an $18.5-million loan for rehabilitation. Were this road solvent, it would probably be asking for money with which to refinance. Now it is in a position where it can spend money to increase jobs.

Effect of Wage Cut

How far the 10% wage cut will help to improve railroad employment, remains uncertain. The spirit of the one-year pay moratorium is that the roads will, as far as possible, use wages saved to stabilize work. There is evidence that railway presidents are making a sincere effort to do this.

Here and there a few hundred or a thousand men have gone back to work in railway shops. "Big Four" shops in Indianapolis are to open with a full force of 1,200 men Feb. 15. Chicago & North Western put on a few hundred men Feb. 1. Yet, though shop openings are announced, there is seldom public mention of closings. During a period such as this, shops open a while, then close a while; neither is significant.



Wide World

PULLMAN'S DUPLEX—*One of the single bedrooms in the new double-decked compartment cars now in experimental operation on the New York–Akron run. Bedrooms become lounges for day-travel*

Aviation Plans Closer Cooperation

Checking up the 1931 results—encouraging from the standpoint of transport volume, less successful in other respects—American aviation industry is laying plans for the future.

As an aid to such planning, *Aviation*, leading aeronautical organ, has drawn up a program of policies.

The principal point stressed in the recommendations, especially for the transport field, is the necessity of greater cooperation. The now general practice among operators of sharing common airports, passenger terminals and waiting rooms should be extended to ticket offices, passenger buses and personnel at airports, it is urged. By reducing general overhead expense, operating costs may be scaled down further, and this should make for lower rates, hence more transport.

Unified Operation

Unity of operations is also recommended for the handling of express matter. Air express shipments took a big jump last year, but their total volume is still small, due in part to the lack of an organization operating air express on a national scale. Through a centralized service, *Aviation* believes, the present volume of air freight may be increased a hundredfold within the next few years.

Research in operating conditions is another feature which could best be handled cooperatively. Among the problems requiring closer study are the merits of low fares as traffic boosters, advantages of one type of plane over another, size of passenger cabins, speed, frequency of schedules. Cooperative traffic surveys, it is suggested, would go a long way in solving many of these questions, besides helping to promote air transport.

Self-Supporting Air Mail?

Concerning air mail, still the mainstay of American air transport, accounting for 76% of transport companies' total revenue and 65% of total transport mileage, operators are urged to agree upon a definite policy. At present, some are in favor of maintaining air mail as a public utility subsidized by the government, while others, with whom *Aviation* is aligned, expecting this business to become entirely self-sufficient before long, declare that permanent federal assistance will not be necessary. Result of this conflict of views is confusion in Washington over air mail legislation, which would be avoided if operators took a common

The FALSE PROMISE of a *SUBSTITUTE* for COPPER

THE owner of a building in a large Eastern city wanted to install an automatic water heater. He had narrowed his selection to two heaters—one with a copper tank—the other, a less expensive unit, with a storage tank of rustable metal.

He was urged to take the better heater. "The copper tank will last indefinitely. It can't rust—you'll always be sure of a clean, rust-free hot water supply—and your gas cost is likely to be less." But he was lured by the lower *first* price and chose the cheaper unit, with the inevitable result.

Within three years rust had badly corroded the storage tank. The hot water supply was discolored and rust had so reduced the efficiency of the underfired heater that the monthly gas bills increased from nineteen dollars to forty dollars.

A new water heater had to be installed and this time one with a copper storage tank was specified. If that had been done in the first place the owner would have saved just $350.00.

• • •

America's penalty for using "something cheaper" than Copper, Brass and Bronze is estimated at over $600,000,000 yearly. Of this the home or factory owner pays—when rustable plumbing and sheet metal work fail. The manufacturer pays too—when rustable metals detract from the performance *and salability* of his product.

Those who have had experience know that where rust can destroy, Copper and its alloys are more economical in the long run. Frequently, too, manufacturers can make *savings in production costs* by using these durable metals—because less time and labor is needed in stamping, spinning, machining, polishing and plating.

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stand as to the future of the air mail business. A united policy on state gas taxes and against state regulation of aircraft is also recommended.

Financial Bills Rouse Bankers' Opposition

The attitude of organized banking on 3 important legislative proposals was revealed this week by a statement from American Bankers' Association. The bankers oppose the Glass Bill in the form originally offered (*BW—Feb3'32*) and "insist that a measure of such vital concern to the industrial and financial health of the nation should be discussed fully and openly before any attempt is made to speed action by Congress." Among other reasons for objection, they find the bill deflationary.

The Home Loan Bank Bill, to create a mortgage rediscount system, also is opposed. The bankers ask that consideration be delayed until the effect of the Reconstruction Finance Corp. on mortgages can be discerned.

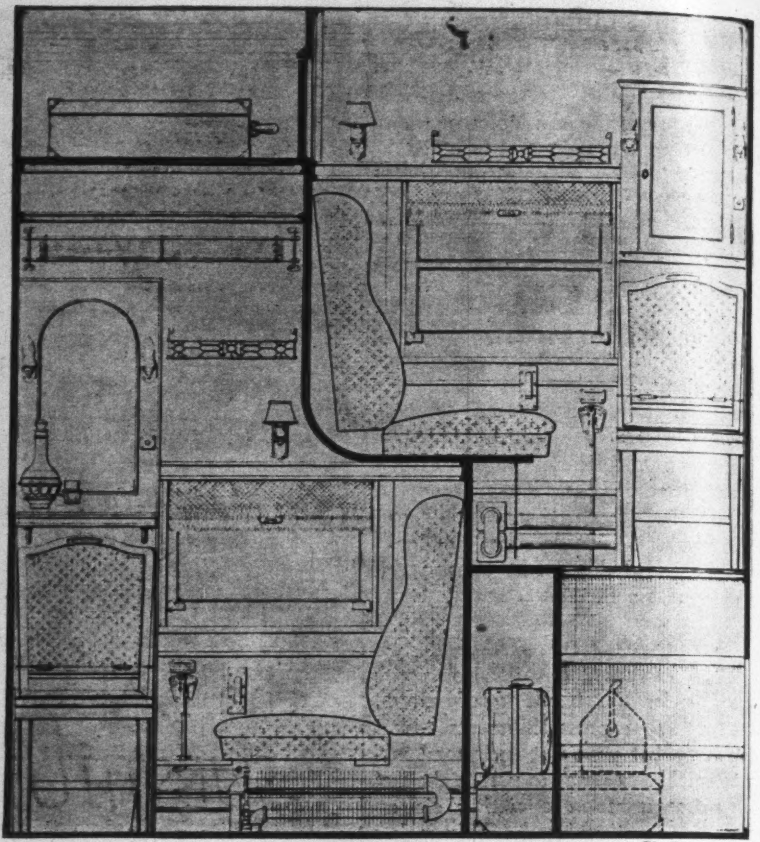
Third, the bankers oppose any increase in the maximum amount which can be deposited in the postal savings. Postal savings are considered a competitor, to be kept as limited as possible. The higher the postal savings limit the more deposits the banks can lose to the post office.

Limit Building and Loan Withdrawals in California

Sixteen California building and loan associations are tightening their withdrawal rules, have announced that they will discontinue disbursements on demand and limit withdrawals from disposable funds to amounts calculated to cover normal requirements. Their action was described as a measure to lessen hoarding, prevent unsound speculation, and protect home-owners.

Disposable funds are described as 50% of moneys collected by the associations on loans. How much each investor will be allowed to withdraw will depend upon the decision of the executives of each individual association after they listen to the reasons advanced by the investor.

Concerted action by the building and loan association group is regarded as a major financial development, as their resources are estimated at $200 millions. Other building and loan associations with assets at $100 millions already have adopted virtually the same plan.



The Business Week

Pullman's Duplex—*How the new compartment saves space. At the left and right are the devices which have all the conveniences of bathrooms except bathtubs. Even the space under the stairs is utilized*

Relief Costs Had Tripled 1929's Load a Year Ago

Rise of 235% in 11,500 cities (over 1,000% in some states) shows what we are up against

Striking evidence of the tremendous increase in the national relief burden since 1929, indicating that in some localities, at least, the demand for federal aid is well warranted, is provided in a comprehensive survey of relief costs just completed by the Bureau of the Census at the request of the president's Organization for Unemployment Relief. If federal relief is offered, this survey will supply valuable information on where it can best be distributed.

The findings show that, for the first 3 months of 1931, total public and private relief expenditures of 11,500 cities and villages in which live 89% of the urban population of the country and 57% of the total population, were 235% greater than for the same period of 1929. As there is ample evidence of greatly increased unemployment since the spring of 1931, this figure, large as it is, is certainly well below that accurately describing current relief needs.

The range of increases among the several states was great—from 3,215% in Arkansas to 29.5% in South Dakota. Only 16 of the 48 states showed greater-than average increases but many of these were so enormous—Mississippi 1,937%, Louisiana 1,258%, Delaware 1,204%, Oklahoma 871%—that the arithmetical average percentage increase is unusually high. The mean percentage increase—the middle figure when all are arranged in order of rank—is that of South Carolina, where relief expenditures increased 100.5%.

Geographical groupings of states clearly shows the influence of industry upon unemployment. The industrial East North Central division, containing Ohio, Indiana, Illinois, Michigan, and Wisconsin, had the highest increase, 362.5%. Second came the Middle Atlantic division—New York, New Jersey, Pennsylvania—with 278.7%; third was the East South Central—Kentucky, Tennessee, Alabama, Mississippi—with 225%. (Here flood relief probably has cost as much as unemployment.) Other state divisions in order of increases were: West South Central, Pacific, New England, West North Central, and Mountain which in 1931 spent only 66.3% more than in the first quarter of 1929.

Private Funds Take Load

Total relief expenditures for all reporting communities for the first 3 months of 1929 were $22,338,000 of which 65% came from public, 35% from private sources. In 1931 the total jumped to $73,757,000 of which only 60% came from public treasuries. Further indication of the increasing share of relief burdens being assumed by private charity is the fact that in cities of more than 30,000 population, public relief expenditures increased 216% during the period covered while private relief went up 286%.

During 1929, 333,861 families, containing 1,340,000 persons, were cared for in the reporting communities, in addition to 421,000 homeless men—a total of 1,761,000 individuals. In 1931, the number of families relieved jumped to 1,288,000, their members to 5,242,000, homeless men to 1,482,000—a total of 6,724,000 individuals, 282% above the 1929 relief polls.

Relief Thinned Out

The difference between the 235% increase in relief costs and the 282% jump in number of persons under relief indicates the extent to which relief payments to individuals have been deflated in an attempt to make available funds go further.

The Bureau of Census survey is the most comprehensive study of relief problems yet made. Returns were received from all the 93 cities with more than 100,000 population; from all but one of those with populations of from 30,000 to 100,000; from 4,863 of the 5,938 cities with 1,000 to 30,000 population; from 6,353 smaller incorporated places. Reports of county relief were received from 1,716 of the country's 3,073; reporting counties contain 34% of the total population of the country.

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Be sure that you not only have good lamps but good lighting as well. For three-tenths of one per cent of manufacturing costs, illumination standards can be doubled, and this increase will reflect itself in savings that may be many times the added cost of light. Let us show you how. General Electric Co., Nela Park, Cleveland, O.

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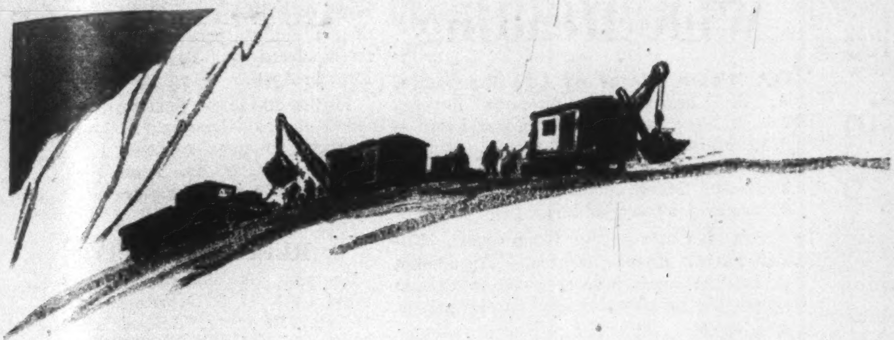
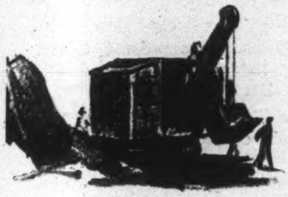


135° in the shade . . . *but*



McGraw-Hill must keep its circulation accurate

Scorching mid-summer, 1931. A group of engineers and construction men detrain at Las Vegas, Nevada. A few miles away, near the Colorado River, a new community to be known as Boulder City, is rising. Homes for 4000 men must be erected. Power houses, machine shops, miles of railroad, water supply, highways must be built—all of which is preliminary to the real job of building the huge Hoover Dam.

Here's not just another construction job. It's another challenge to McGraw-Hill's claim of covering only the key men in every field of business and industry. A McGraw-Hill circulation man accepts the challenge.

He is 170 miles away. The Thermometer reads 135 degrees. The only way to go is by auto, over rough, broken roads. But McGraw-Hill wants its circulation accurate! So he steps on the gas. He looks up the new men who have come into importance on this job. He checks his list to be certain it covers all the men who influence the purchase of materials and equipment, signs up those who should become subscribers and goes on to the next job.

This is one way in which McGraw-Hill keeps in contact with your customers in business and industry. Such exploits are not undertaken just to provide dramatic advertising material. Our circulation men have but one ideal to shoot at! Coverage of every important business man, industrialist and engineer—and to help them to use the publication of greatest profit to them. *They are interested in no one else.* Whether that sends them across a desert after a desirable subscription or keeps them at a desk rejecting undesirable ones, they strive to attain this ideal as closely as any publisher can.

The result is that advertisers in the McGraw-Hill publications are buying not 500,000 readers but 500,000 prospects. Advertising—which is salesmanship on paper—in the right McGraw-Hill papers will go direct, without waste, to your prospects and customers. It is easy to see how concentration of this kind is relatively low in cost.

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Over Sixty-Nine Years in Business

Wide Reading

A World Survey of Life Insurance. A. S. Christenson. *Commerce Reports*, Feb. 8. More than 70% of the world total—$150 billions is held in the U. S. Britain, Canada, Japan, Germany feature life insurance. Many countries are showing a phenomenal interest of late.

The Meaning of the Gold Crisis. William Orton. *Atlantic*, February. An attempt to lift the mystery from gold, to explain simply the problem involved in the present gold crisis.

Baker's Bread: Costly and Tasteless. Winifred Raushenbush. *Nation*, Feb. 10. The baking industry is as stupid as it is greedy. Weaknesses that bakers could afford to recognize, and suggestions which the government might sponsor.

Survey of Engineering Progress. *Engineering News-Record*, Feb. 4. Annual survey issue.

What Advertising Can Do for American Products in Foreign Markets. Donald B. Langan. *Export Advertiser*, January.

Uncle Sam—Nomad. Charles Morrow Wilson. *Outlook and Independent*, Feb. 3. The homing instinct reduced to an apartment basis is changing the building-realty business. Perhaps it is a good thing, but the trend needs to be recognized and understood by many businesses.

Just About All About Cellophane. *Fortune*, February. The newest packaging success is already a thriving industry.

Where to Concentrate Advertising in 1932. *Printed Salesmanship*, January. Map and legend showing how the United States would look if the area of each state were determined by the count of urban population; also shows the areas where business is expected to be above or below average this year in comparison with conditions during 1931.

In Arms Against Government Costs. *Nation's Business*, February. Concrete examples of savings by states and cities in widespread efforts to reduce taxes.

The Twilight of German Capitalism. Michael Farbman. *New Republic*, Feb. 10. Germany is on the way to some form of state capitalism. The realization is increasingly popular. Keen analysis of developments in the Reich.

The Power Trust Bugaboo. Harold E. West. *American Mercury*, February. Some facts about power, and the prognostication it will not be a major issue in this year's political campaigns.

The Origins of Economic Planning. Lewis L. Lorwin. *Survey Graphic*, February. It did not originate in Russia, nor recently. The U. S. has a long record of small-scale attempts. Past experiences might be mobilized in a current effort to return to prosperity.

Latin America Dislikes Us. Eugene Stein. *Atlantic*, February. More indications that we need public interest in international affairs if we are to enlarge our place in the sun.

The Road to Good Advertising. Kenneth Collins. *Retailing*, Feb. 6. First of a series of articles giving first-hand experiences of the author, particularly in the field of retail advertising. To be published in book form in April.

House-to-House Selling Abroad. *Commerce Reports*, January 25. Method widely followed in some countries but practically unknown in others. Local prejudice the chief obstacle to its employment. Report by countries.

REPORTS—SURVEYS

Sources of Foreign Credit Information, 1932. U. S. Department of Commerce, 56 pp., 10 cents. Revised official list of sources of credit information for exporters.

Report of the British Economic Mission to the Far East. British Department of Overseas Trade. H. M. Stationery Office, London, 156 pp., 2s. 6d. Complete survey of the trade position of China and Japan, particularly in relation to Britain's chances for trade in the Orient.

Thirty Years of Europe–United States Trade. International Chamber of Commerce, 133 pp. For business men with international trade interests.

Foreign Trade of the U.S.S.R. Bureau of Research on Russian Economic Conditions, University of Birmingham (England), 24 pp. Complete analysis of Russian foreign trade through 1930.

Unemployment Benefits and Insurance. National Industrial Conference Board, 127 pp., $2. Generally unfriendly review of unemployment insurance except for voluntary private plans.

BOOKS

Broker's Loans. Lewis Haney, Lyman Logan, and Henry S. Gavens. Harper, 214 pp., $5. Extensive study of the relation between speculative credits and the stock market, business and banking. Mass of evidence to back up proposed methods of control.

Applied Personnel Administration. J. W. Walters. Wiley, 338 pp., $3. General reference book on the principles and technique of personnel administration; stresses practical applications.

Psychology at Work. Edited by Paul S. Achilles. Whittlesey House, 259 pp., $2.50. Seven psychologists, each a specialist in his field, prove that their science has already contributed more than most laymen realize to industrial, educational, professional, education, individual, and social progress. A non-technical introduction to its practical—and frequently misunderstood—uses in business.

Hitlerism. "Nordicus." Mohawk, 243 pp., $3. The story of the political party and its leader who have played a dominant rôle in Germany for more than a year, who hold a threat over the future of Germany.

Future Trading Upon Organized Commodity Markets in the United States. G. Wright Hoffman. University of Pennsylvania Press, 482 pp., $5. Description with illustrations of the system of future trading in various commodities. Interesting in view of spreading of this function in modern business.

The Commercial Paper Market. Roy A. Foulke. Bankers Publishing Co., 264 pp., $5. Detailed study of one type of business finance, and its market.

Yankee Dollars Hop Border To Profit by Canadian Exchange

IGNORING Gresham's law which says funds should desert weak currencies for stronger ones, the New England border is seeing a flight of American dollars into Canada. Yankees in the upper tiers of Maine, Vermont, and New Hampshire are taking their money from banks to deposit in Dominion institutions at a rate of 1.18 to 1. Communities are being drained of currency, banks are worried, business hurt. The situation has resulted in pleas for government protection.

Here in the true Yankee country people see an opportunity for a profitable trade—a thing always close to the Yankee heart. When the Canadian dollar recovers—as they feel sure it will—they can recall the money and cash their profits. Meanwhile deposits in Canada are drawing interest on the larger face value.

Started a Stampede

The movement has been in progress for some time. It grew to stampede proportions when the Canadian dollar dropped to 78¢ American, a 10-year low. In the absence of tickers and market service reports, gossip about the general stores said she would go still lower. Actually "she" recovered, has been above 80¢ recently. In the face of the rise dollars kept hopping over the line. Yankee farmers have been mortgaging land to the limit and converting the proceeds into Dominion dollars at 15% to 20% (face) profit.

Americans have been rushing funds across at St. Stephen, New Brunswick, where 3½% interest is offered. One Dominion bank ran out of pass books. Another had to wire Montreal for help to handle the boom. Withdrawals from the Calais, Me., bank of the International Trust & Banking Corp. caused it to close its doors. Officials of other banks observe the phenomenon publicly with astonishment, privately with considerable concern.

Canada's Butter Exports Up Because Wheat Is Down

OTTAWA (*Special Correspondence*)—In Canada, wheat is king. But with prices at their current dismal lows, farmers in the western provinces have been forced to seek relief in diversification. They have turned particularly to dairying, despite the fact they despise the work. This is the principal reason why butter has again become a considerable factor in Canada's export trade, with the volume of export multiplied 9 times in a year.

In 1929, Canada's total butter exports were 1,568,440 lb. They decline to 1,322,048 lb. in 1930, but jumped to 11,962,160 lb. in 1931. Value of 1931 exports was $2,329,853, compared with $410,447 in 1930.

The bulk of the increase in exports has gone to Britain. Of the 11 million lb. shipped out of Canada, well over 8 million lb. went to England. Exports to the United States rose from 71,000 lb. in 1930 to 627,000 in 1931. The increase is attributed principally to the exchange differential which operated during the last half of 1931.

One factor in the stimulation of the dairy industry in Canada is the protection which the government brought the industry in the recent tariff schedule. In 1930 New Zealand butter entered Canada under a duty of 1¢. Now it pays 8¢. Because of the general lack of enthusiasm for dairying, however, Ottawa has small hope that western farmers will continue to diversify if and when wheat "comes back."

Allied Dye Gets Under French Nitrogen Barrier

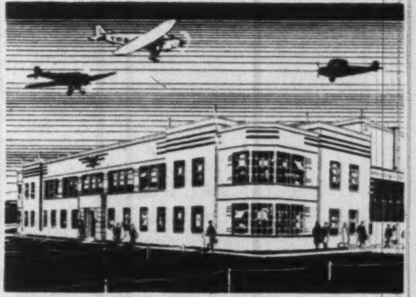
EUROPEAN NEWS BUREAU—France is an important market for nitrates—synthetic and natural. Imports in 1930 totaled 400,000 tons. Domestic production barely reached 100,000.

Competitors for this market are Chile, Norway, Germany, and the United States.

Paris was surprised (and New York, too) to learn last week that the Allied Chemical & Dye Corp. had succeeded in winning a French contract for 25,000 tons of synthetic nitrate of soda.

As long ago as May, 1931, the French government put nitrate fertilizer imports on a strict license basis, presumably due to the breakup of the nitrogen cartel, to keep prices at a normal level.

Developments later last year made it clear that the government's object primarily was to set up barriers against imports of foreign-made nitrogenous



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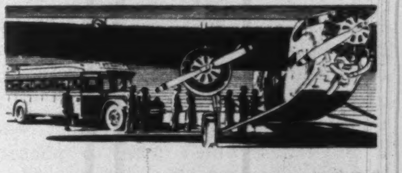

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fertilizers. No licenses were issued for 7 months and the Minister of Agriculturn informed the various foreign interests that no licenses would be issued unless foreign firms agreed to pay to the government a "compensating" surtax of 10 francs per 100 kilograms.

Second Big Purchase

The Allied Chemical sale is the second large foreign purchase made by France in the last 2 months and meets, apparently, these terms.

Germany, late in December, contracted to supply in 1932 at least 150,000 tons of synthetic nitrate at 83 francs per 100 kilos. This is 10 francs below the price asked by the international cartel and 20-25 francs below prices previously ruling.

In both cases, American and German, the French syndicate will sell the nitrates bought at 83 francs to French farmers at 93-95 francs. Of the difference between purchase and sales prices, 10 francs (or a total of $600,000 on the German order alone) will go to subsidize the French industry.

The nitrate industry, particularly members of the semi-defunct cartel, pointed out significant features of the very important German contract which apply as aptly at most points to the American contract:

(1) It is an index of industrial pressure in Germany that the country has accorded France a cut rate enabling France to subsidize its own competitive, but inadequately developed, industry.

Surprise Move

(2) France has gained not only the advantage of a subsidy to its industry but a simultaneous lowering of cost to its farmers. The feature causing the greatest surprise is the action of France in making Germany, her political enemy, the chief source of supply for an indispensable war material, and under terms which tend to alienate other producers unless they agree to sacrifice price. French army regulations require that 100,000 tons be kept on stock at all times. Due to throttled imports, it has been necessary to deplete military stocks for agricultural purposes. It is reported that Chilean interests have volunteered to stock this quantity for the chance to sell an equal amount in France. Cosach (Chile Nitrate Trust) officials are now in Paris, may announce new orders soon.

(3) Under terms of payment originally proposed, France was not actually to pay Germany but was to have deposited with a French bank the amount due as a credit against eventual resumption of reparations. This was later revamped in spirit with the Hoover moratorium, but the terms were never revealed.

(4) German deliveries of a maximum of 200,000 tons leave to others almost an equal amount needed yearly in France. The Chileans, whose sales to France early in 1931 are reported to have been 200,000 tons, are likely to win a fair share of the balance because of the French farmers' preference for natural nitrate.

Great Britain's New Tariff Is Frankly a Bargaining Weapon

The first bargain will be driven at Ottawa in July; until then, effect on world trade remains uncertain

EUROPEAN NEWS BUREAU (*Radio*)—Britain has stated her tariff policy.

On Mar. 1, century-old free trade is to be abandoned. A 10% duty becomes effective on all but a few (though important) items.

Dominion products are excused until July. Then, at Ottawa, the whole empire will assemble for a bargain party. Old time bargain-hunters predict a scramble with probably the usual number of crushed hats and frayed tempers.

Britons recognized the significance of the tariff announcement last week. When Neville Chamberlain, Chancellor of the Exchequer, presented his bill to Parliament, peers from the upper chamber squeezed themselves into the small gallery reserved for them in the Commons; worried foreign diplomats listened avidly, rushed out to telegraph reports to their governments. Even the Commons itself turned out in mass for opening prayers in order to secure seats for the tariff hearing.

Salient features of the bill carefully sifted out by exporters the world over are summarized:

(1) The new tariff is a general levy of 10%.

(2) It exempts wheat (to be covered later by a quota), raw cotton, raw wool, meat, tea, fish.

(3) It does not apply to articles on which there is already a duty. The McKenna duties in general levy a $33\frac{1}{3}\%$ tax on films, clocks, watches, motor cars, musical instruments. Since-the-

Acme

GOLD WITHOUT GUNS—*Unloading bullion from India in London, without benefit of guards or machine guns. These shipments have helped Britain to meet foreign obligations without further depreciation of the pound* war "key industries" duties spread this special duty to include cameras and optical lenses, scientific instruments, chemicals, special appliances. More recent imposts included cutlery, gloves, incandescent mantles and silk, were aimed admittedly to protect home industries founded during the war. And finally the "abnormal" import duties of recent months will remain.

(4) It exempts imports from the dominions until other possible definite provisions are made at the Ottawa meeting; it exempts definitely products from colonies or territories for which Great Britain holds mandates from the League of Nations.

(5) It is frankly a bargaining tariff. There is a flexible clause allowing duties up to 100% against countries discriminating against Britain.

(6) A Tariff Commission will be appointed to supervise the bargaining.

Ask Free Port Areas

One important phase of Britain's foreign trade is the large entrepôt business which the country, as a free trade stronghold for so many years, has cultivated. Before the war this use of British ports as a place for transshipment accounted for 15% of overseas trade. Since the war this has dwindled but it still constitutes 10% of the kingdom's overseas business. Shippers already have entered an effective plea for the establishment at once of large free port areas.

Inasmuch as the 10% pronouncement gives world business something definite on which to base future trade prospects, it is important. Actually, too many uncertainties must pend until the July parley in Ottawa to allow for much specific planning.

Ottawa May Go Further

Politicians in London fully expect that the bargaining at Ottawa will go beyond mere reciprocal trade, possibly will win support for the formation of a closely-knit sterling group of dominions (and possibly other nations) which will make it less essential for Britain to "rush" back to the gold standard.

Economists are divided. Some see Britain's move climaxing the recent tariff mêlée as the necessary "last straw" needed to force down world tariff walls, and they look for an international conference. Others foresee an opposed trend which will develop toward world solidification into 3 major tariff entities which they classify roughly as the Empire, Europe, America.

Not even the most sanguine Britisher thinks the tariff battle is won with the announcement from the Board of Trade of the tariff schedules. To plan is relatively easy. To fit one-quarter of the world and almost an equal portion of the people into a scheme is problem enough in itself. To attempt at the same time to keep the friendship of half a dozen nations in whose foreign trade Britain is more involved than in her own dominions, is even more tricky. It is vital, however, as much because of Britain's investments in these countries as because of the volume of British exports that they absorb, the number of British ships they employ, and the business they give to Britain's banks.

How Duties Hit Us

Largest supplier of the British market is the United States. In 1928, latest year in which full comparative statistics are available, 16.4% of British imports came from this country. Argentina was second with 6.7%, India third with 5.6%, and Germany fourth with 5.5%.

A hasty glance at imports from the U. S. in 1930 reveals that 46% were in the class now to be dutied. In that year the value of these articles imported was more than $324 millions. Of this amount, $203 millions were dutiable under the old duties, only $14 millions, or 2%, under the recent abnormal Importations Act.

As a result of the new decree only 25% of the usual American imports will now come in duty-free and these will be largely cotton, wheat, and meats.

Important items now to be taxed 10% include wood, lard, machinery, copper, oil, leather, electric goods, and pig lead. Tobacco, cotton and gasoline, 3 of the largest imports from the U. S., are not affected.

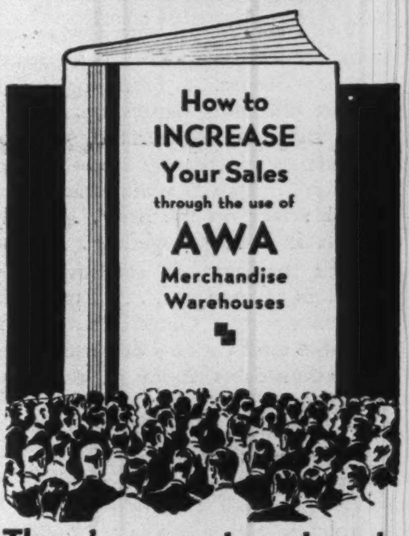
Bargaining weapon in Britain's hand in arguments with Washington is her export trade to the U. S. of only $140 millions (in 1930) compared with U. S. imports of $748 millions.

Dominion Commerce

Also to be noted is the fact that where the U. S. is said to control 77% of the total commerce of its possessions, Japan 71%, and France 49%, Britain controls only 34% of the commerce of the dominions. Not generally realized is the fact that Britain in 1930 bought more from the U. S. than from Canada, Australia, New Zealand, and South Africa combined.

Britain has taken the second step toward a new tariff policy. Ottawa will determine the next important move. But, in the meantime, the rest of the world has seen the signs. Old-time tariff policies with their most-favored-nation clauses mean less each day. Moves in the next 6 months may profoundly alter international trade channels.

HERE'S HELP IN TOUGH TIMES



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Business Abroad—Swift Survey Of the Week's Developments

World conditions, with few exceptions, are less favorable. . . . Germany is in new danger. . . . France has failed to stem oncoming depression. . . .Holland, Belgium, Switzerland, Czechoslovakia face increasing economic difficulties. . . . Italy is again steady after a bear attack on the lira. . . . Only Britain is openly hopeful. . . . Far Eastern business is suspended by tenseness at Shanghai. . . . Fast crumbling finances in Central Europe, intolerable tariffs, a new drive to cancel reparations-debts loom in the near foreground.

Europe

EUROPEAN NEWS BUREAU (*Radio*)—The distinct aggravation of conditions in Germany, the deepening depression in France, the relative steadiness in Italy, and some actual improvement in England marked the diverse current trends among the larger European countries this week. Among the smaller countries only Sweden shows any relative improvement while Holland, Belgium, Switzerland, and Czechoslovakia are facing increasing economic difficulties although stability is not yet threatened. On the other hand, Denmark, Austria, Hungary, and Bulgaria are in a desperate condition. Bulgaria is about to announce a general moratorium.

Excepting in England, conditions foreshadow further deterioration. Unless new ground can be broken on the point of reparations and war debts, it is difficult to see how the present trend of trade disintegration can be checked. Last week *The Business Week* forecast German and Central European general moratoria within 90 days unless the present trade conditions mend. *The Business Week's* correspondents in the countries concerned now report that the predicted moratoria may be necessitated even sooner.

Markets Droop

Trends on nearly all markets have turned downwards. Commodities, which for some time have been unsteady, opened the week with falling prices in practically all compartments. Stock markets throughout Europe also are weaker. The realization that trade is shrinking instead of seasonally expanding seems finally to have quenched the last vestige of New Year optimism. Belgian Ford has passed its dividend, and the Dutch and German companies are expected to follow, involving corresponding losses to Ford of England which controls 60% of the Continental subsidiaries.

Exchanges are featured by the recovery of the lira, and weakness of the Spanish peseta. This trend of the peseta follows the decentralization of control resulting from the precipitate coverage of previously accumulated and unsatisfied exchange demands, estimated now to have reached $10 millions. Sterling continued steady all week. The reduction of the British and German bank rates is widely discussed since both are above the market rates, but no change appears probable very soon.

Agreement has been reached regarding the automatic monthly renewal by Basle of the $100-million Reichsmark credit providing no adverse developments arise in Germany preventing successful working out of a program for gradual amortization. The Dutch banker, Van Hengel, finally has been appointed general manager of the Credit-Anstalt, which improves the position of the foreign creditors in the bank.

New Trade Restrictions

Among the new trade restrictions imposed this week are the Dutch quotas on shoes, woolens, and readymades; the second sharp reduction in the German coal quota; the placing by the French of a quota on canned vegetables which, as formerly, accords the lion's share to European suppliers, this time especially Belgium and Italy, and further instances the development of a consistent French policy to integrate its import requirements with European rather than overseas sources of supply. Both France and Germany are preparing to place trade with countries restricting exchange under control of a government clearing house.

McKenna, chairman of the Midland Bank, is widely quoted as stating that an advance in raw stuff prices is a logical consequence of the prospective continued gold exports from India. So far, however, the greater part of the gold thus returned to circulation by the East has been immediately reabsorbed and thesaurized, notably in France, Holland, and Belgium, so that it has had no such effect on price levels.

Mellon's appointment to London, Tardieu's proposal for "armed disarmament," and Chamberlain's announcement of the British general tariff (page 30) are the 3 outstanding developments of the week. Europe, feeling that the previous scale of reparations and war debts payments cannot ever be resumed, is predisposed now to place new hope in Wall Street's interpretation of Mellon's appointment to London as indicating that preparations have been started toward a settlement. Anglo-French conversations continue and there is wide talk of a new debt conference in June.

Great Britain

Britain expects prompt benefits from tariffs, anticipates sharp bargaining at Ottawa conference. . . .Lancashire may forego first advantages by general strike. . . . London hopeful of new progress on reparations-debts scaledown.

LONDON (*Cable*)—Business in Britain, already the most optimistic in Europe, is buoyed up by a new air of expectancy following the government's tariff announcement (page 30). Not even the rapid spread of import quotas and exchange restrictions has dampened the week's enthusiasm.

All interest now is centered in the Ottawa conference, scheduled for July, where Britain will bargain for a larger stake in empire trade before entering into intimate bilateral agreements with such old friends as Argentina, Denmark, and Sweden. Britain's old trade agreements are expected to undergo radical changes in the coming 12 months.

The new tariff—10% on all but already dutied goods, and a half dozen raw items (including cotton, wool, wheat, meat, tea) which are to come in duty free—will probably become effective Mar. 1.

Plan Free Ports

All major ports and such secondary shipping centers as Bristol, Newcastle, and Leith, will have large "free port" areas in which Britain's important transshipment business can be continued.

Announcement of the tariff plan had unexpectedly little effect on stock markets due to discounting of the effects as long ago as when the National government was elected with an overwhelming majority and pledged to a program of protection.

Commodities also held steady, though iron and steel and textiles anticipate early beneficial effects.

Keystone

Katsuji Debuchi—*Since the Japanese campaign in China shifted to Shanghai, where American investments are large, Japan's ambassador to Washington has resorted to the Occidental custom of receiving reporters regularly, has attempted to ease a delicate situation by keeping the public correctly informed of policies behind Tokyo's moves*

Textile enthusiasm was short-lived. Long-pending, the strike of 6,000 operators in the key Burnley area threatens to lead to a stoppage in the entire industry, all due to inability of owners and workers to agree on the hours-wages and the "more-looms" problems.

It is generally held that the operatives' attitude toward the more-looms system is indefensible, but the position is complicated by the owners' action in disregarding collective agreements, which naturally enlists against them the sympathy of all organized labor.

The government's declaration to Parliament insisting on cancellation of reparations and war debts encourages the belief that recent talks with France are tending toward a united Europe, standing for no reparations, no debts.

France

Industrial activity continues to contract; unemployment is increasing. . . . Steadiness of Bourse reflects domestic belief that bottom has been reached. Foreign observers less sanguine. . . . French Line likely to get temporary financial aid pending revamping of national ship subsidy policy. . . . Gold still moving to Paris from abroad.

Paris (*Radio*)—The continued steadiness, one can even say the strength, of the Bourse has not been affected by recent foreign developments or by unfavorable domestic conditions. It probably reflects the generally-held domestic viewpoint that the depression is approaching the bottom.

Unemployment, nevertheless, is increasing relentlessly and other indicators show no letup in the contraction of activity, while no doubt the new British tariffs will accentuate the increasing French trade deficits. Notwithstanding the constantly enlarged protectionary measures, the internal price structure, except on articles of first necessity, is crumbling as purchasing power diminishes. Detached observers do not share domestic appraisals that conditions have reached the bottom. In fact, most unbiased leaders feel that France has as yet experienced only the initial stages of depression.

With the French Line on the verge of liquidation, a $4 million government credit will probably be granted in order to keep the line going for the next half year, meanwhile giving time for development not only of a basis for some refinancing program but for revision of the whole ship subsidy policy.

More Import Quotas

Preparations have been completed for the establishment of a clearing house for trade financing in cases where countries are restricting their exchange, as in Austria and Hungary. The early further extension of the import quota system is expected.

The gold reserve of the Bank of France increased $108 millions in January, not including the $73 millions of previously ear-marked gold which was brought to Paris from the United States but including gold newly earmarked. The reserve has now reached a new record of $2,864 millions. Reduction of foreign sight assets equivalent to the value of the increased gold indicates that imports no longer reflect foreign capital seeking refuge but only the recall of the Bank of France's liquid foreign assets. Foreign short term investments, after a small rise, remain unchanged.

Italy

Relative to the rest of Europe, business is not seriously depressed. . . . Iron and steel production down; aluminum up; rayon recently hit by Far East troubles. . . . Government successfully counters bear raid on lira. . . . Domestic confidence in finance building slowly. . . . Stock dividends better than expected. . . . Outlook comparatively fair.

Milan (*Radio*)—Effective government intervention has broken up what seemed to be a bear attack on the lira, and brought recovery practically to parity. The economic value of the lira does not seem to have deteriorated despite the heavy declines in invisible revenue, especially in emigrant remittances. This long-important form of revenue has been largely offset this year by the laudable 75% reduction in the country's trade deficit in 1931.

On the other hand, budgetary difficulties plus the Bank of Italy's losses in sterling depreciation and expansion of rediscounts due to credit stringency have unsettled domestic confidence, giving rise to a certain flight of capital which shrewd international speculators have played to their advantage.

The flight from currency also has contributed to the rising security quotations since the first of the year, but with the current recovery of exchange the stock market movement has halted though prices are still well above last year's lows.

Dividends Exceed Expectations

Production figures for 1931 show declines, but they are relatively less than in other countries. Iron was down 5%; steel, 19%; alloys, 26%; while aluminum was up 40%; and rayon, 15%. The latter, however, is now severely affected by the Far Eastern troubles. Quicksilver, of which Italy is one of the most important producers, is particularly affected by the decline in world consumption and is still overstocked, despite the fact that production has been cut, during the year, from 1,841 tons to 1,189 tons. The dividend for Monte Amiata, largest producer, is problematical. On the other hand, dividends declared by several other industries have exceeded general expectations, bringing average stock exchange yields up 8% to 10%.

The receivership appointed for the Bank Bergamo had a greater psychological effect than its local importance and the smallness of its losses warranted. The confidence sure to be engendered by the recent reorganization of Banca Commerciale Italiana has not yet solidified, and public nervousness, rather than actual bad conditions, represents the weakest current factor in the general business situation.

Germany

Business is severely strained. . . . Gold position of Reichsbank rapidly declining, with daily fresh tariff barriers shutting out all hope for improvement. . . . Bankrupt farmers threaten new crisis. . . . Economic situation increasingly intolerable.

BERLIN (*Cable*)—Germany is riding toward another major crisis, but this time a dozen other countries are traveling in the same direction, which is likely to force international action, and soon, to meet the present impossible economic situation.

Five major developments plot the trend of events in Germany this week:

(1) Political uncertainty over the outcome of the coming presidential elections (in May) is spreading, with no little evidence that the Nazis are maneuvering to remove Bruening from his post as Chancellor.

(2) Strategic financial indicators are awry. The gold reserve position of the Reichsbank is weaker; the net gold balance for January is down $15 millions. Even with all the restrictions which seemed watertight when decreed, the government still is not successfully collecting the amounts of foreign exchange theoretically due from payment for German exports. Officials declare only one-fourth of the amount due has been collected, blame equally the restrictive transfer measures abroad and evasion of regulations at home, insist a further tightening of domestic restrictions (similar to the drastic methods now operating in Vienna) may be necessary.

Aggravating also is the month-to-month basis which France has prescribed for renewal of its share of the $100-million B.I.S. credit to the Reichsbank.

Tariffs Bar German Products

(3) Tariffs continue to climb and other disheartening barriers to be raised on exports. The 10% British tariff is the most recent.

(4) Industrial activities are declining rapidly, due especially to the falling off of export orders. The coal and steel industries are showing increasingly less resistance to depression. The great $200-million German Steel Trust in the last quarter of 1931 reported a decline in coal production of 1.3 million tons over the last quarter of 1930. Pig iron output dropped from 948,000 to 602,000 tons, and raw steel from 1,006,000 to 634,000 tons. The number of laborers declined from 121,000 to 85,000, and white-collar employees from 15,854 to 12,659. In the report of the whole German steel industry for the month of January, orders from South America alone are off 50% compared with those of a year ago.

(5) Bankrupt farmers have appealed to the Treasury for fresh financial aid. Agriculturists in two-thirds of Germany already have been granted a moratorium on mortgages. Any new relief may stretch the already depleted treasury to the breaking point.

Berlin Retaliates

Guided by the desire to protect dwindling markets and retaliate for foreign dumping in Germany, the government this week proposed (1) to double the lumber tariff, (2) to carry out the restrictions on woodpulp imports inculded in the recent anti-dumping decree (this hits especially and intentionally at Sweden and Finland).

Berlin's carefully considered decision to reduce the British coal import quota by one-third because of increasingly smaller consumption has failed to satisfy the distressed Ruhr mine owners, who are demanding that the quota reduction be supplemented by a 30% anti-dumping duty until industrial activity recovers and domestic consumption improves.

Far East

Business seriously curtailed by still-threatening Shanghai affair. . . . Chinese attempt to meet customary "New Year" settlements. . . . Japan faces renewed unrest as military venture runs into opposition.

PROLONGED activities at Shanghai are having a detrimental effect on both Chinese and Japanese business.

Trade in Shanghai, greatest of Far Eastern ports, is virtually at a standstill, though foreign ships have not been prevented from entering or leaving the port. Chinese banks, closed when hostilities commenced, have reopened to meet the usual heavy demands at the China New Year season (one month later than the Occidental New Year). Trade in the entire Yangtze valley is hampered. Even at Canton, far to the south, business is feeling the effects of the Shanghai curtailment.

In the Tientsin–Peiping area trade has resumed something of its normal routine. In Manchuria it is still very much below normal. Mukden department stores, for example, report that January sales picked up 7% over December but were only 25% of volume a year ago.

Tokyo Finds War Expensive

Japan has run into difficulties. Chinese resistance at Shanghai is more determined than was expected and the necessity of sending additional troops means a far larger expense than was anticipated, and forecasts a much more extensive and prolonged campaign than Tokyo foresaw. Further, other foreign powers have intervened to protect their vested interests which demands far more delicate handling of the situation than was demanded in Manchuria where the military had, virtually, free reign.

Politically there is also uncertainty. Elections are scheduled for this month. The unexpected slowing down of the aggression policy in China has been the basis for fresh unrest. The fanatical assassination of the former finance minister is a warning of dangerous public demonstrations which many observers claim have been quieted in recent months by the Manchurian campaign.

The economic outlook is not bright. Unless some wholly unforeseen but entirely possible diplomatic incident develops, there is small prospect of any acknowledged war which will involve other powers. Though the situation remains extremely serious, and a menace to even the limited amount of business likely to be transacted, it is entirely probable that it will again be overshadowed, and soon, by serious economic developments in Europe.

Latin America

Business is dull. . . . Brightest reports are from Argentina, where exports are heavy, and from Brazil where coffee prices are relatively firm. . . . Mexico, with sugar surplus, limits production.

WITH the exception of the continuing fair volume of business in the Argentine, and relatively stable coffee prices in Brazil, the trend of business in Latin America is unfavorable.

Besides cutting the 1932 budget and levying an income tax, Argentina is making other economic progress. Wheat and corn exports continue at high levels with prices firm. Because of the smaller demand from the United States, flaxseed is moving slowly. Cattle prices are still low.

Brazil is profiting from steadier coffee prices, though demand is weak. At the same time, Colombia is suffering from lower prices for the mild blends of coffee for which the country has become noted. Two factors are blamed: (1) the increasing competition from Central American growers, who are attempting to make up in sales on the United States market for smaller demand from their older European markets; and (2) the need by Colombian growers to sell at once to get ready cash, thus flooding the market.

Mexico Limits Cane Crop

News from other centers is not encouraging. The sugar industry of Mexico, with a bumper cane crop in prospect and an overproduction of approximately 60,000 tons of sugar last year, is facing a critical situation and is attempting to limit this season's production to approximately 215,000 tons. Many mills are finding it difficult to obtain credits necessary for this season's grinding, with the result that grinding is unusually late this season.

Peru has announced its new budget and it makes no provision at all to meet service charges on the $100 millions of foreign debts, which confirms the gloomy prospect anticipated for some months in New York.

Reports from Uruguay are not hopeful, either politically or commercially. Exporters are moving cautiously.

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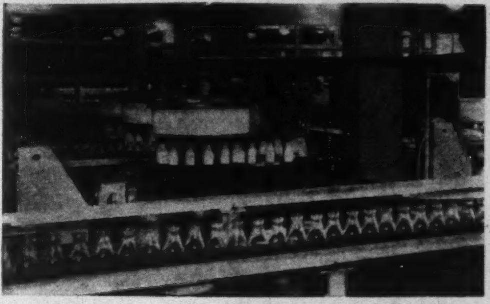

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ELECTRICAL WORLD, 330 West 42d Street, New York

The Figures of the Week And What They Mean

Business continues to bump along on the bottom with no apparent break in the monotonous stagnation. . . . Sales of motor vehicles have lagged, dampening the enthusiasm of manufacturers. . . . Other steel consuming lines are also increasing their caution and paring their orders. . . . Building activity is reaching the lowest level in more than 10 years. . . . Carloadings give no inkling of any revival of trade. . . . Currency circulation expanded on the very eve of the hoarding conference. . . . Commodity prices continue weak in the face of virtual absence of demand and more than ample supply of products.

A SLIGHT increase in steel ingot production is reported by Dow, Jones for the week of Feb. 8, but the gain seems too small to be significant. The adjusted index stands at 36% of normal compared with 35% the preceding week.

Steel production in January, 1932 gained over 12% compared with December, equal to an operating rate of 26.5% of capacity. This increase is somewhat less than usual. Tonnage output of all steel ingot producers totaled 1,461,290 tons against 1,302,399 in December and 2,458,689 tons in January, 1931. Production in the past month was nearly 41% below a year ago.

The prospects for February are far from cheerful. Ordinarily there is a sharp gain over January in the operating rate, but at present there is a strong tendency to ease off activity. The *Iron Age* reports that a sharp decline has occurred in the volume of orders, particularly from the automobile industry. January sales of motor vehicles have been disappointing and below expectations. The failure of general business activity to show any signs of revival has acted as a deterrent to sales. The uncertainty of Ford's plans has also been a disturbing factor. General Motors report that their sales to consumers in the United States declined 10.5% from December, while sales to dealers fell off nearly 5%.

The steel industry is hampered by a virtual standstill of activity in all major consuming lines. Construction is sagging to the lowest level since 1919. Private work is practically non-existent, and public work is being subjected to close scrutiny in the widespread economy drives of states and municipalities. The *Iron Age* record of bookings of fabricated structural steel totals only 5,250 tons for the week, the smallest on record. The farm implement industry is also curtailing its orders for steel.

Railroad Steel

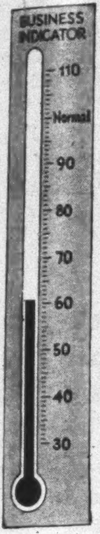
While all eyes are on the railroads as the best bet for steel orders, the savings on wages will not automatically make possible equipment purchases except in a few instances of exceptionally situated roads. Resumption of activity in some railroad shops has had no noticeable effect on steel orders.

Tin plate volume of orders is also lagging beyond the usual period due to the uncertainty of some large can makers on the outlook for the coming year. Complaints are being voiced that foreign

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

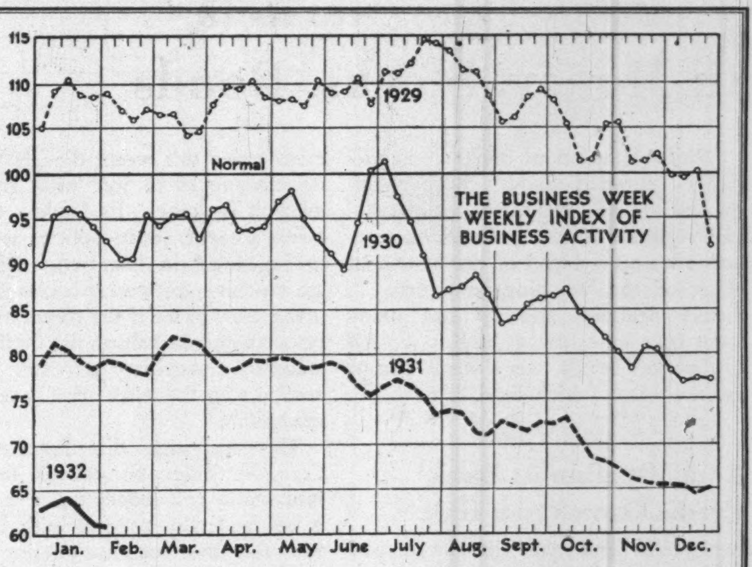
	Latest Week	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*60.7	†60.9	79.4	......
PRODUCTION				
Steel Ingot Operation (% of capacity)	27	26	49	76
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,977	$4,273	$9,270	$14,273
Bituminous Coal (daily average, 1,000 tons)	*1,063	1,064	1,340	1,850
Electric Power (millions K.W.H.)	1,589	1,589	1,679	1,636
TRADE				
Total Carloadings (daily average, 1,000 cars)	94	94	120	149
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	62	62	77	91
Check Payments (outside N. Y. City, millions)	$3,558	$3,076	$4,771	$5,723
Money in Circulation (daily average, millions)	$5,645	$5,617	$4,599	$4,676
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.54	$.51	$.69	$1.13
Cotton (middling, New York, lb.)	$.067	$.067	$.108	$.157
Iron and Steel (STEEL composite, ton)	$29.60	$29.92	$31.69	$35.17
Copper (electrolytic, f.o.b. refinery, lb.)	$.059	$.065	$.094	$.143
All Commodities (Fisher's Index, 1926=100)	64.2	64.5	76.4	91.5
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,822	$1,822	$964	$1,195
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,979	$19,992	$22,682	$21,624
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,256	$7,259	$8,365	$8,622
Security Loans, Federal Reserve reporting member banks (millions)	$5,574	$5,596	$7,303	$7,034
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	.....	$505	$1,749	$3,461
Stock Prices (average 100 stocks, Herald-Tribune)	*$89.58	$91.64	$138.64	$152.54
Bond Prices (Dow, Jones, average 40 bonds)	$78.61	$79.28	$96.12	$96.31
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	4.2%
Interest Rates—Prime Commercial Paper (4-6 months)	3¼-4%	3¼-4%	2½-2¾%	4.2%
Business Failures (Dun, number)	780	812	676	592

***Preliminary** **†Revised**



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



competition is becoming felt in tin plate, pig iron and other steel products. There seems little definite information on whether the Far Eastern conflict has netted any orders for munitions steel.

Construction contracts awarded in the closing days of January were so meager that they tended to aggravate the poor showing made in the first 3 weeks of the month. Total contracts finally aggregated but $84,798,400, the smallest volume since the early months of 1919. Since the past month had but 25 business days against 26 days a year ago and in December, 1931, a fairer comparison can be made by reducing the data to a daily average basis. The year 1932 is thus shown to have begun inauspiciously, some 61% below a year ago and 35.6% below December, 1931. Our adjusted index for the week of Jan. 29 declined to 25% of normal compared with 29% the preceding week.

Public Works

The shrinkage in public works and utility awards was striking, the total for the month being no greater than $24,056,400, the lowest of any month for many years. The decline from a year ago was nearly 74%, and from the preceding month 50%.

Residential contracts fared best as far as percentage decline is concerned, but this is largely due to the fact that residential construction was already on a low level 2 years ago. Awards totaled $27,504,300, a drop of 21% from December and 47% from the total of $54,375,500 of January, 1931.

Non-residential contracts covering such structures as factories, commercial buildings, hospitals, etc., formed the largest group with awards valued at $33,237,700. The decline from a year ago was nearly 56%, and from the preceding month the decline exceeds 31%. The severity of this contraction is more noteworthy when it is realized that this group of construction began to decline sharply in the summer of 1930, and never exceeded the sum of $118 millions in any month of 1931.

Bituminous Coal

Bituminous coal production showed little change in output during the week of Jan. 30. Our adjusted index moved to 48% of normal compared with 47% the preceding week. Electric power plants used 19% less coal in December than a year previous, even though the sale of power declined no more than 5% in the same period. Steel works cut coal consumption by 30%.

Electric power production during the week of Feb. 6 showed an insignificant loss from the preceding week. Our adjusted index was not affected, remaining unchanged at 77% of normal. The comparison with a year ago is slightly more favorable than a week ago, but this may be accounted for by the mild weather that prevailed a year ago.

Total carloadings showed but an insignificant loss during the closing week of January, but the month as a whole indicated a 21% decline from a year ago and a 35% decline from January, 1930. The adjusted index based on miscellaneous and less than carlot freight remained unchanged at 61% of normal. While the railroads report that passenger traffic in 1931 was the lightest since 1904, it was the sharp loss of freight that accounted for the 40% decline in net railway operating income.

Check payment made less than the expected rise for the week of Feb. 3, though it amounted to nearly 16% in the 140 cities outside of New York. The adjusted index declined to 69% of normal, compared with 70% the preceding week.

On the eve of the President's conference to curb hoarding, the daily average currency circulation for the week ending Feb. 6 increased $28 millions. Bank failures showed a slight increase during the week, but reopenings reached a high point of 15. Our adjusted index continues to rise, reaching 47% above normal compared with 45% the preceding week.

Commercial Loans

Commercial loans failed to show any tendency to expand in anticipation of spring trade. Our adjusted index moved downward to 14% above normal against 15% the preceding week.

The downward trend of commodity prices has not been broken. The new weekly indexes of wholesale prices of the U. S. Bureau of Labor Statistics record a steady downward drifting of all major commodity groups during January with the exception of fuel, lighting and house-furnishings. Farm products and food suffered most heavily. The decline has continued in February. Wheat, corn, cotton, rubber, hides, cocoa, sugar, copper and tin all showed weakness in the past few days, with new lows being set for sugar and rubber.

Trends of the Markets In Money, Stocks. Bonds

While deflation of bank credit virtually stopped and Washington pushed relief measures vigorously, bank failures rose. . . . Securities markets are unconvinced of the beneficial effect of the Washington efforts. . . . Stocks declined steadily and many went into new low ground. . . . All groups of bonds were weak except governments, which held firm.

Long Decline in Bank Credit Comes to a Halt

DECLINE in bank credit virtually stopped in the last week for which figures are available, and should this prove to be more than a temporary cessation of the long decline one destructive monetary factor would be wiped out. Private deposits in the banks dropped sharply, but they were being paid over to the government for securities issued last week, so that total deposits were little changed.

Unfortunately, the deflation was not halted until it had spread the seeds of much trouble in the way of lower security and commodity prices. Whether monetary trends have been primarily or secondarily responsible in the current price declines matters little; certainly they played some part.

The Reconstruction Corp. became more active this week, though there is no measure as to just what and how much it is doing. Its lending requirements are stiff, yet its policies are stated to be liberal in intention. Observers are watching the weekly bank credit figures closely to see if the corporation will be successful in halting the decline permanently. Auxiliary activities in connection with the relief drive have gained momentum.

The suggestion that Reconstruction Corp. securities be offered in small amounts to pull money out of hoarding is not generally popular with bankers, who fear that such an offering would also pull money out of the banks. Conferences on the Glass Bill have been coming fast and frequent as the Administration tries hard to get at least its emergency provisions passed.

Somewhat offsetting the encouraging signs in bank credit and counteracting the psychological effect of Washington's strenuous moves came an increase in bank failures. Last week's total, as reported by *The American Banker,* was 71, compared with 50 in the preceding week. The weekly average for this year to date is 72. With failures at such a rate, hoarding will be difficult to stop.

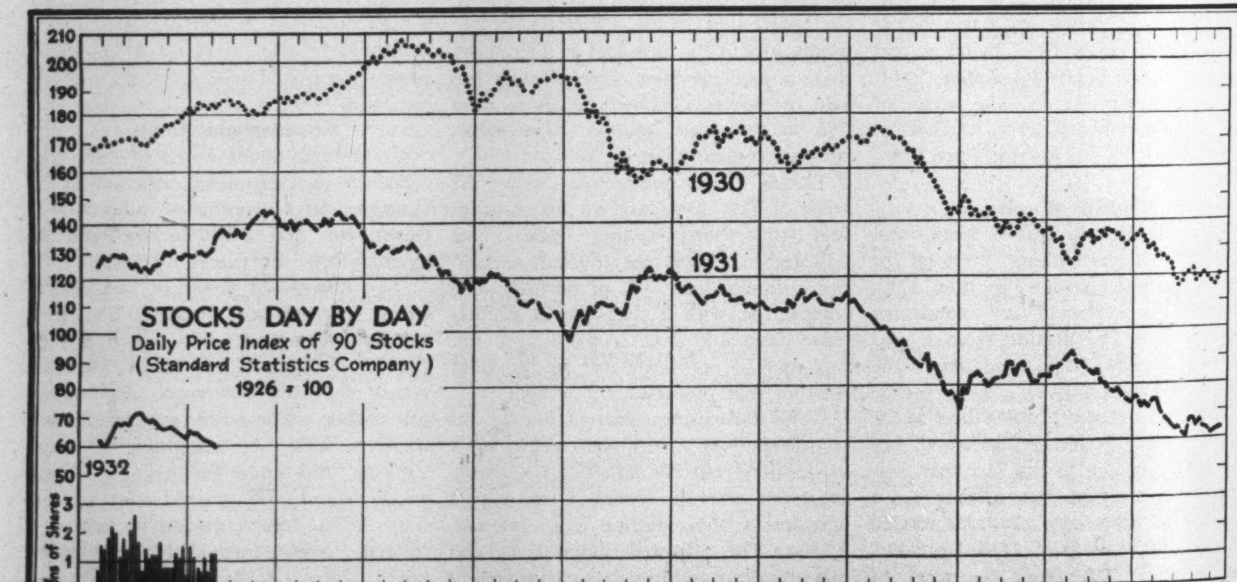
Money rates were little changed. Federal funds quotations held firm most of the week, then eased, which may indicate that hoarding is slowing up—or may not. Acceptance rates were unsteady, and one dealer increased the rate ⅛%. Federal Reserve discount rates were unchanged, at 3½% at all banks.

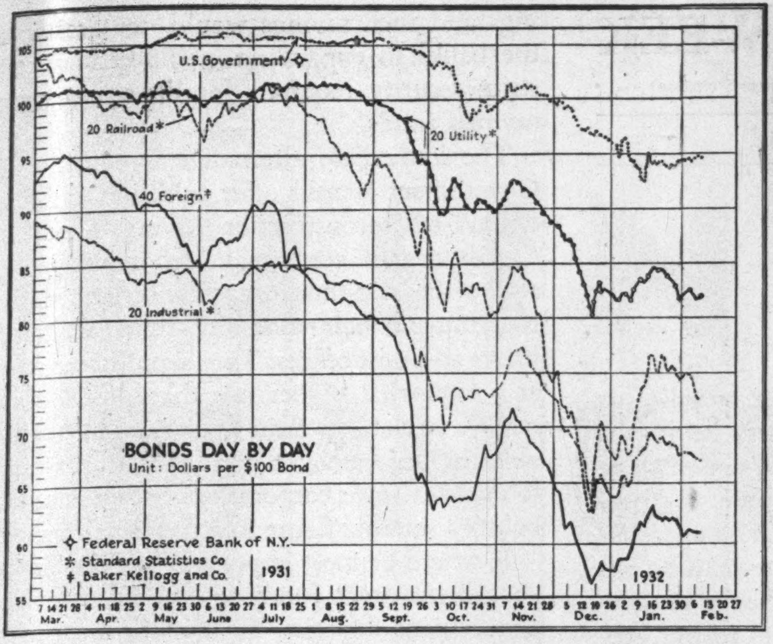
Exchanges were unsteady, though sterling weakened decidedly. Ecuador departed from the gold standard for the balance of the year. The B.I.S. announced its intention of helping South American countries stay on gold.

Stock Market Sticks To Its Storm Signals

To anyone who believes in the competence of the stock market as a forecaster, the steady decline of prices this week in the face of governmental drives to stimulate business must have been extremely painful. Stocks slid slowly but definitely downhill in a dull market. As measured by the Dow, Jones averages, rail stocks lost 12.2%, industrials 7.6% and utilities 5%, and all were practically at the low for the depression. The Standard Statistics composite index of 90 stocks went to a new low. New York City bank stocks also were weak.

The decline simply announces the profoundly skeptical investor has still to be sold on the ultimate value of the Administration's relief measures. Traders are not buying, and low prices do not attract purchases from the outside. Probably the most fundamental factor affecting the market was the prolongation of the new downward break in commodity prices. Short selling appears


STOCKS DAY BY DAY
Daily Price Index of 90 Stocks
(Standard Statistics Company)
1926 = 100



to have done its part to speed the decline. And the market gets no encouragement from the Treasury's official admission that its December estimates were over-optimistic, that, instead of $920 millions of new revenues, more than $1.2 billions will be needed—which is interpreted as meaning that federal taxes may be even higher than feared.

There were other miscellaneous factors operating either to lower prices or to keep buyers out of the market, evidences of strain in utility financial concerns; further dividend omissions, including the dropping of Illinois Central's preferred payments; continued bank failures; low earnings reports with no signs of improvement.

Only the future can tell if the market is wrong in its indications this week. But more than a purely technical rally based on an oversold position will be necessary to convince many in the financial community that it is.

Bond Buyers Watch News, Not Yields

BOND prices said amen to the stock market's judgment this week by drifting lower. The feeling that Washington's efforts have not sufficiently relieved financial strain or altered the business outlook is still too general to bring any demand for senior securities, even at such prices and yields as prevail.

On approximately present prices 15 high-grade industrial bonds give an average yield of 6.97%, 15 railroads offer 5.76%, 15 utilities 5.48% and 15 municipals 5.41%. Average for the 60 is 5.91%. On lower-grade issues these yields can be doubled.

Rail bonds led this week's gradual decline. Utilities are nearer to their depression lows than any other group. Government issues held steady but failed to gain. The influence of Secretary Mills' announcement that we now face the alternatives of a larger deficit or higher taxes on the government securities is yet to be seen.

Municipals Are Slow

The municipal bond situation is little changed. Baltimore was successful in selling an issue, and a few other cities raised some funds. But Buffalo failed to receive bids on an offering limited to 5% interest. New Jersey plans to sell its bonds directly if unable to get bids from the banking interests. In the foreign list Australia's assumption of New South Wales' bond interest was an important gesture, but not very stimulating.

Probably the most important bond development of the week was the report that national and state authorities are cooperating in attempts to establish some new measure for the sale of assets of closed banks. This arouses special interest in a market which has been hit repeatedly by sales of securities by receivers. The report suggests that the Comptroller is seeking some central agency to handle such assets, and perhaps sell them directly to dealers and investors.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

February 17, 1932

First Step to Stop Hoarding

THE President's campaign against hoarding is praiseworthy in purpose but must be implemented by other kinds of concrete action to be effective. General appeals for public cooperation alone cannot overcome individual anxieties about the security of savings. They can be offset only by applying powerful forces of governmental action at specific points in our economic mechanism. Methods to this end have been suggested in this paper repeatedly during the past year. Some of them are being applied in part and indirectly through the Reconstruction Corporation, but certain additional and more direct steps are still to be taken.

Individuals who are asked to stop hoarding their money may properly ask what they should do with it instead. The Government must have an immediate and convincing answer to this crucial question. A complete answer is difficult for it to give at this time.

It cannot tell them to spend their money unless it can assure them that it will be speedily replaced through improved employment and earning power. This depends upon other factors in the banking and credit situation than those arising from the mere withdrawal of savings. It certainly cannot advise them what private securities to buy, and many of the people who are hoarding are not used to investing in ordinary securities anyway. It cannot tell them in what private banks to put their money unless it is in a position to prevent all bank suspensions, which the Reconstruction Finance Corporation has promised not to do.

It might properly advise them to deposit it in postal savings banks, but this makes little appeal to many of the people who are now hoarding, because of the limits on deposits, the low interest rate, or factors of custom or convenience. Bankers are opposed to extension of postal savings and such savings would not greatly help the banks in expanding credit because of the strict security required for deposits of postal savings funds.

The immediate alternative is evident. The Government should offer a billion and a half dollars of Reconstruction Savings Stamps and Certificates in very small denominations, and revive the war-time organization and methods to stimulate their widest possible sale through banks and post offices. They should bear interest at a somewhat higher rate than postal savings, mature in not less than five years, be purchaseable in any amount but not be tax-exempt to individuals or corporations except in amounts below a suitable figure to attract small investors.

It would be most important that the Treasury should not treat funds so secured as ordinary government deposits, but put them specifically at the disposal of the Reconstruction Corporation in exchange for its own bonds, so that the corporation could use them to carry out effectively its task of stopping further bank suspensions everywhere. Otherwise this device would simply result in shifting deposits from one set of banks from which the money had been withdrawn to others in which government deposits are ordinarily made. To be helpful the funds should be distributed as widely as possible among the banks, regardless of restrictions for ordinary government deposits. The Reconstruction Corporation alone can do this.

If promptly issued and vigorously advertised, the Reconstruction Savings Stamps and Certificates would not only help meet the immediate hoarding problem but help the Reconstruction Corporation in its work. Other more fundamental aspects of the banking situation would still remain to be dealt with, but this device would serve as an effective first step.

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